EXHIBIT B

Autonomy®

Autonomy Corporation plc

Annual Report and Accounts

For the year ended 31 December 2010

Registered Number: 03175909

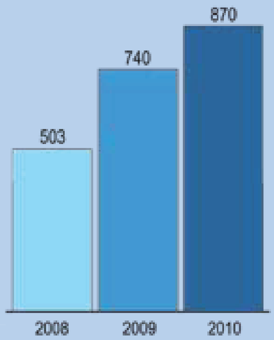
Performance at a Glance

Financial Highlights

Revenue ($m)

$870 million

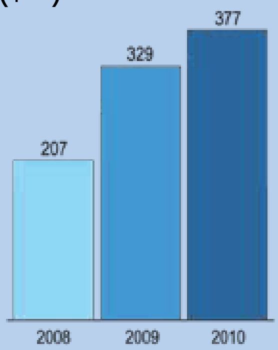
+18% growth



Profit from Ops. (adj.) ($m)

$377 million

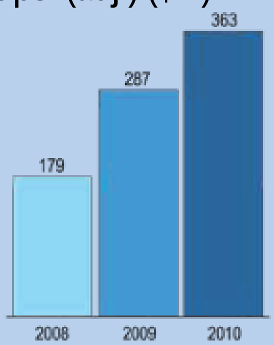
+14% growth



Cash Generated from Ops. (adj.) ($m)

$363 million

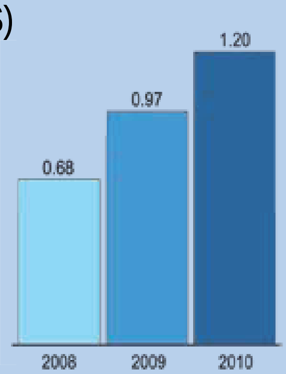
+27% growth



Diluted EPS (adj. IFRS)

$1.20

+24% growth



2010 Highlights

Financial Highlights

- Record revenues of $870 million, up 18%
- Strong growth in core IDOL business
- IDOL OEM growth of 32%
- Strong growth in IDOL Cloud revenues
- Increasing contracts reflected in our "commit" number
- 17% organic growth in core business (2009: 22%)
- Rise in deferred revenue during year
- Operating margins (adj.) in Q4 return to 45%
- Diluted EPS (adj. IFRS) at $1.20 up 24% from 2009 (IFRS: $0.89, up 12%)
- Cash conversion at 87%, up significantly from 80% in 2009
- Strong investment in business with R&D up 16% from 2009
- Positive cash flow generated by operations of $363 million (2009: $287 million), up 27%
- Gross cash of $1.1 billion at year end

Recent Operating Highlights

- 94 seven figure deals, up 42% from 2009
- New standardisation agreements cementing IDOL as core platform for processing unstructured information
- 57% of 2010 sales from existing customers, extending investment in IDOL
- 42 new and extended OEM relationships
- Strong growth in IDOL Cloud business, increasing the level of recurring revenue and securing lifetime customer relationships
- Average selling price for 2010 at $790,000
- Rated number one across multiple industry analyst reports and segments, including in Gartner's eDiscovery market report, Gartner's 2010 Magic Quadrant for Web Content Management; and the Forrester Wave 2010 for Online Testing

For a discussion of adjusted results please see page 14.

What We Do: Autonomy makes technology which allows computers to understand information that is still in human-friendly form, like emails, web pages and documents. Autonomy allows computers to process this information automatically, instead of relying on a human being. This technology is useful in almost every industry and software sector. As a result, Autonomy is a rare example of a pure horizontally applicable technology company. We make technology for use by others, and thus generate high gross and operating margins on behalf of shareholders.

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Chairman's Statement

"Autonomy's growth this year is measured against good growth last year, and the year before, and so on. Not many software companies have been so fortunate. Investing fashions come and go, but more customers buy more of Autonomy's software for more money every year."

"Autonomy has a suite of products which are all based on its Intelligent Data Operating Layer (IDOL). This is a series of algorithms, patented and unique, which power the information systems of more than 20,000 customers all over the world.

Although 2010 was a volatile year for many countries, economies and companies, sales of Autonomy's IDOL continued to grow steadily, as they have done every year since just after the millennium and virtually every year since its founding in 1996.

For Autonomy, growth this year is measured against good growth last year, and the year before, and so on. Not many software companies have been so fortunate. Investing fashions come and go, and investor interest in the characteristics of the ever-changing world of software development ebbs and flows, but more customers buy more of Autonomy's software for more money every year.

In last year's Annual Report I previewed some Board changes which have now been made. It is an appropriate moment to thank the retiring directors Richard Perle and Barry Ariko for the immense contribution each of them made during their years with the company. It is time too to welcome Professor Frank Kelly, Master of Christ's College Cambridge, to the Board and to the Chairmanship of the Remuneration Committee, and Jonathan Bloomer, who chairs the Audit Committee. We are seeking one more Non Executive Director whose appointment we hope to announce in due course.

The success of Autonomy over the last few years is plain to see. Although it has, I believe, one of the lowest paid management teams in the FTSE 100, it has over the last six years delivered nearly 800% share price improvement to its shareholders. At the same time I believe Autonomy is well positioned to continue to deliver similar growth in the business as it not only consolidates its existing areas of application but also extends the power of IDOL into new areas of human activity. New areas for Autonomy during 2010 included its first efforts in the massive and expanding healthcare market.

There are new exciting developments to come in 2011 from our extensive research facilities both in Cambridge and in the USA, on which we spend over $135 million a year. Many of these current developments are discussed in this Annual Report which, as each year passes, continues to expand in narrative and detail showing how Autonomy measures and manages this growth. More information on Autonomy still is to be found not only in the weighty descriptive books which separately describe the Protect, Promote and Power usage cases of IDOL (about which you'll read more in this Report) but also on the company's website, which includes an interactive question and answer forum, and of course in the regular financial reporting.

2011 should see a continuation of this trend of research, growth and profit. Although Autonomy makes big acquisitions only rarely (there have been only three in its 15-year history) it currently has over $1 billion in the bank and is well placed to transact. It will only do this if the right opportunity comes along.

Chairman's Statement

That right opportunity is likely to be one which allows Autonomy to build on the proven core competency of IDOL, at the heart of all Autonomy's business, whether through direct purchase, leasing or licensing from Autonomy's own fast-growing private cloud.

A year ago my comments focussed on the strong performance by the company during 2009, rather than on the unprecedented economic downturn following the global financial crisis. This perspective is critical to understanding Autonomy's relative performance during 2010 and our optimism for the future. Autonomy correctly positioned for crisis. When others were just beginning to shake off the dust of disaster, Autonomy was repositioning for smoother sailing having entered the harbour safely.

"But then Autonomy is no ordinary company. The software developer is one of the few UK technology companies to have turned its world-leading technology into a world-leading business." – The Times, Oct. 2009

Autonomy's business remains essentially simple: to continue to provide world-leading technology that takes advantage of the fundamental shift from structured to unstructured information. Because of this simple focus, Autonomy continues to operate profitably and efficiently. This has lead to a cash balance which well positions the company for the corporate-level activities and investment we as a Board and you as shareholders expect it to undertake prudently, the same activities that have contributed to that return on investment in shares over the past decade.

Innovation in the ways in which our technology gets to market, and expansion into other sectors, can continue to make important contributions to our societies. This kind of innovation is important both for the wider benefits it brings and because it broadens and enhances the base on which our business is built.

What we are today, and what we can become tomorrow, flows directly from the skills, dedication and attitude of our people. Having spent significant time at Autonomy offices around the world during the year, I can report that the strength in Autonomy's staff and all levels of management is a hidden competitive advantage. The various teams are composed of leaders who have enabled the accomplishments to date and are dedicated to the company's future. I thank them all unreservedly for their resilience, commitment and contribution.

2011 will be another exciting year. We hope to build on the progress that the company has made during the year, with established market leadership and world-beating products coupled with renewed positioning and an energized team.

Thus I finish on an optimistic note. Autonomy has cash in the bank, skills and motivation in the workforce, great products in production and more in the laboratories. We look forward to seeing some of them rolled out in the coming year. For the present, it remains only to thank our shareholders, our employees and our customers for their continued confidence in, and study of, the company."

Robert S. Webb QC
Chairman
22 February 2011

AWARDS

We are delighted to have received a number of high-profile awards during 2010. These recognise our achievements as a business and the strength of the technology we provide and how it is delivered. Here are a selection from 2010:

#1 IN SEARCH AND DISCOVERY MARKET

IDC reported Autonomy owned the largest revenue share in the worldwide search and discovery market

MOST ADMIRED COMPANY

Winner in the Software and Computer Services Sector of Management Today's Britain's Most Admired Companies awards for the second year running

'GREATEST MARKET POTENTIAL' AND 'BEST NEW TECHNOLOGY' AWARDS

Autonomy Meaning Based Healthcare lauded by 2010 Healthcare IT Summit Innovation Awards Companies awards

WINNER OF PRESTIGIOUS QUEEN'S AWARDS FOR ENTERPRISE

Awarded Queen's Awards for Enterprise, the most prestigious UK business awards, in the International Trade category

EDISCOVERY PLATFORM RECEIVED TOP HONORS

Law Technology News magazine recognized Autonomy with six awards

BLOOMBERG BUSINESSWEEK HOT TECH 50 RANKING

Global top technology companies based on sales and employee growth, return on investment capital and stock returns

Chief Executive's Review

"Recall that Autonomy's fundamental and unique meaning-based technology allows computers to make sense of human friendly information such as emails, phone calls and video rather than the traditional database information that we have had to make do with. This year we have seen customers choose new routes to exploiting this information, with Autonomy becoming one of the leading players in cloud computing as our customers have transitioned to the private cloud model faster than expected, which is a longer-term but more valuable annuity stream."

Dear Autonomy Investor,

"2010 was a year of transition for us. During the year Autonomy's technology and its ability to extract meaning from human friendly information has spearheaded the Meaning Based Computing movement forward with new applications of the technology and mission critical usages by our customers. Human-friendly information and the need to process it has continued to grow rapidly with applications in customer interaction, legal, regulatory and, as a result of new smart phone technology, mobile leading the way.

As in years past, I take great pleasure in presenting to you these results from a remarkable year during which your company has reached new heights.

Born from the work of researchers at Cambridge University, through today with more than 20,000 customers across seven continents using Autonomy's meaning-based technology, the company has gone from strength to strength. Recall that Autonomy's fundamental and unique meaning based technology allows computers to make sense of human friendly information such as emails, phone calls and video rather than the traditional database information that we have had to make do with up to now. Human-friendly information is growing rapidly at a combined rate of 63% per year.

Today, Autonomy is firmly established as the leading provider of Pan-Enterprise Search and Meaning Based Computing (MBC) solutions. Autonomy's unique Intelligent Data Operating Layer (IDOL) platform enables organisations to harness the full richness of human information by extracting meaning from the mass of unstructured information they handle every day, which analysts estimate to constitute over 80% of all enterprise data. This includes email, web pages, social media, blogs, instant messaging, documents, audio and video files. It does this by automatically extracting the concepts within information, making it visible, understood and actionable, without the need for human intervention.

Over the last six years, Autonomy has been one of the best performing software companies in the world, despite the turbulent economy. During that time we have seen a six year adjusted EPS CAGR of 65% and Autonomy has grown to become one of Europe's largest software companies.

2010 and Into the Future

This year we have seen Autonomy become one of the leading players in cloud computing as our customers, who can choose to take up our core functionality by traditional product, IDOL OEM or IDOL Cloud offering, have transitioned to the private cloud model faster than expected. This trend can be seen in the unexpected rise in our 'commit' metric (contracts entered into by the customer with an expected minimum spend). The IDOL OEM and IDOL Cloud routes are highly attractive to us as they turn one-off sales into multi-year committed annuity streams, and these new fast-growing routes are becoming the dominant usage models for our technology. However there is a short-term effect of suppressing growth rates as those one-off sales which were recognised immediately are replaced by longer-term but more valuable annuity streams.

Chief Executive's Review

One of the things about managing a technology company is it's often unwise to call the exact transitions which are going to happen in advance. Autonomy's approach is to hedge the transition, thus we've allowed our customers to buy our IDOL technology either as product, or as a cloud subscription model, or as OEM.

Autonomy continues to be chosen to handle the world's most complex legal cases and regulatory issues, for both corporates and regulators, including the largest lawsuits in the world such as BP and, as reported by industry analysts, has continued to gain market share in areas such as legal and archiving.

The year saw strong investment in the future of the business with the opening of new offices in places like Latin America, increased R&D spend and investment in the infrastructure for this cloud capability with Autonomy now handling over 17 petabytes of critical customer information in the cloud. Whilst we continue to provide our core IDOL technology in whichever model the customer chooses, we are delighted with the transition to the cloud, and expect to reap the benefits of these cumulative subscription revenues in years to come.

We've also seen very strong growth in IDOL OEM, which is now seeing IDOL used by most major software companies across almost all sectors of the software industry. This growth is not only coming from the number of new products coming to market, products signed up around two years ago that are now coming to market, but we've continued to sign up more customers and products. One must remember though that there can be some seasonality in IDOL OEM sales as they are predicated on the rest of the software industry sales, and the period over which those vendors report their sales to us.

As discussed more below, our technology has multiple use cases which we discuss in areas we call Power, Protect and Promote. During 2010 we've seen further consolidated leadership in the Power area with a series of standardization agreements across all sectors, and we also saw some of our competitors actually withdraw from our market. In the Protect area we're seeing no slowdown in demand; more and more regulations are arriving every day. We see this as the beginning of changes to the regulatory environment, not an end. In the Promote area we're seeing good, solid penetration of that market, with new technologies, including Autonomy's largest Promote deal in its history.

Unlike most others in the sector, Autonomy's business performed well during the downturn resulting in Autonomy reporting growth on growth unlike others who are now seeing growth as a return to normal levels. Autonomy in 2010 continued to perform well, particularly in light of these tougher comparative periods due to our strong growth in 2009 and the transition to longer-term value revenue models.

In 2010 we saw transitions in the business and significant investments for which we expect to reap the rewards in coming years. We also saw in Q3 2010 volatility in customer assessment of the macro environment, which now seems to have reduced.

Our growth and expansion has always been driven by the goal of establishing Autonomy as the key infrastructure for the automated handling of all forms of unstructured information such as text, audio and video. Following this unwavering goal we have achieved sales success and proven our profitable business model, and have created a special software company which is leading the market.

Drivers

It is worth spending some time discussing the purchasing drivers for our products.

The fundamental overarching driver is the move to unstructured information. If you think about it, the amount of human-friendly information, such as prose, emails, phone calls or video, is exploding. In fact, we all carry around little unstructured information computers in our pockets now in the form of smartphones such as the iPhone. The amount of information is not only going up, but more and more business processes are being done using unstructured information, and so the need to automatically process that information is becoming more and more fundamental.

The choices about how to process this information are relatively simple: you either use Autonomy to automate the process, or use human beings to process a manual task. With this in mind, there's not much alternative than to use more and more technology going forward.

To understand how this transition might play out, it is helpful to look back to the rise of the relational database market and how that developed. Phase I was where people were buying the benefit of an application built on a database, but they didn't really understand that the differentiator between applications was the underlying database. Phase II was when people in the market realized that there was actually such a thing as the relational database and that the selection of the database was a key decision as all of these apparently different problems were in fact linked by the same ability. Phase III was the maturity of the market.

Industry analysts now consider that we are towards the end of Phase I of this emerging market, perhaps beginning Phase II, and that's a period of good growth and understanding. Autonomy sees this position reflected in the number of standardization deals where companies are realizing that this is something that they have to adopt across all areas of corporate IT.

Financial Highlights

In 2010 we again produced record results in every area, which enabled us to grow and invest. In 2010, all key financial metrics again rose from our previous records in 2009. 2010 financial achievements included:

- Record full year revenues of $870 million, up 18% from 2009
- Strong growth in core IDOL business; IDOL OEM growth of 32%; strong growth in IDOL Cloud revenues
- Increasing contracts reflected in our "commit" number
- Full year organic growth in core business of 17% (2009: 22%)
- Rise in deferred revenue during the year
- Operating margins (adj.) in Q4 within target range of 45%
- Full year diluted EPS (adj. IFRS) at $1.20 up 24% from 2009 (IFRS: $0.89, up 12%)
- Cash conversion for 2010 at 87%, up significantly from 80% in 2009
- Strong investment in business with R&D up 16% from 2009
- Positive cash flow generated by ops. of $363 million (2009: $287 million), up 27%
- Gross cash of $1.1 billion at year end

Once again, 2010 saw an unprecedented number of multi-million dollar contracts (94 deals) and continued year-on-year growth (up 42%), and some of the largest deals in the company's history.

Chief Executive's Review

R&D and Products

Our strong R&D investment, including an increase in R&D spend in 2010 of 16%, continues to bear fruit.

In 2010 Autonomy introduced the power of Meaning Based Computing to the last of the major knowledge professions to benefit from widespread use of electronic formats: Healthcare. Drawing on world-leading medical expertise, the Auminence solution seeks to improve the reliability of clinical diagnoses and minimize information risks for healthcare providers. As the year drew to a close we were delighted to have already sealed our first major licence agreements for this revolutionary new product.

Other developments of Autonomy's industry-leading IDOL technology during 2010 included:

- World's first Meaning Based multi-channel customer interaction analytics application;
- Unique integrated web content management, search, optimization and rich media on a single platform;
- Industry's first Social Media Governance platform, protecting organisations across all social media channels;
- Industry's first Meaning Based risk management platform for law firms; and
- Meaning Based coding for eDiscovery.

Sales and Customers

2010 brought continued enterprise-wide adoption and broader understanding of the Meaning Based Computing approach, with sustained demand from customers despite the wider economic turmoil. The fundamental shift to unstructured information continues apace, and there is growing recognition that automation and processing are the only viable business strategies. During the year, the three distinct and compelling drivers for our business discussed above became evident as customers deployed Autonomy's technology across applications to protect, promote and power the enterprise.

"Our initial goal was to get a 25% increase in email conversions. Instead, Autonomy reported a 73% improvement compared with the beginning of the year." - LexisNexis

While many enterprise software vendors suffered from the deteriorating macroeconomic environment, Autonomy's strong financial performance demonstrated the benefits of our unique software-driven business model. This was also a year of investment as we laid the ground for major new IDOL-based products and began to equip the company for the sustained upturn to the global economy.

We saw growth across the globe during the year, in virtually every geographic and vertical market we serve. We continue to win marquee customers in emerging economies across Asia, Eastern Europe and Latin America.

As expected, the adoption of our technology for "Protect" usages continued strongly throughout the year with a whole series of new regulations coming into effect which is driving our business. We are still seeing very large deals in this area and expect this to continue for the foreseeable future across most industry sectors. We have also seen strong take-up of our technology for "Promote" usages, with customers such as Allstate, AT&T, Belgacom, Blackrock, BNP Paribas, Canadian Broadcasting Corporation, Euronews, Health Care Services Corporation, Safeway and Verizon during the year. Our multi-channel offerings including optimisation and real-time analytics have proven extremely attractive, leading to the company's largest ever deal in this area. At the close of the year, Autonomy was pleased to count virtually the entire Fortune 1000 group of companies as customers.

The business value of Autonomy's infrastructure technology and its demonstrable ROI are ultimately borne out by our average selling price for meaning-based technologies, which remained stable throughout 2010 at approximately $790,000.

Market Position and Penetration

Autonomy's market leadership position strengthened during 2010. We saw a continuation of the "chaining" effect as customers deploy IDOL across functional areas that have traditionally been isolated and served by different software vendors. Ultimately this leads to a growing number of enterprise-wide standardisation customers. Competition during the year also became slightly more benign with major players pulling out of our market.

Amongst industry analysts we elevated our positions, being rated number one across multiple industry analyst reports and segments, including IDC's Worldwide Search and Discovery Software 2010-2014 forecast, and the Forrester Wave 2010 for Online Testing. Other accolades included:

- Rated by IDC as fastest-growing archiving software company and the leading provider of search and discovery software;
- Rated "Strong Positive" in Gartner's eDiscovery market report;
- Positioned as leader in Gartner's 2010 Magic Quadrant for Web Content Management; and
- Achieved the highest score in the Forrester Wave 2010 for Online Testing, based on current offering, product strategy, corporate strategy and market presence.

Other industry awards during 2010 included:

- Received Her Majesty The Queen's Award for Enterprise in the category of continuous achievement in international trade;
- Received top honours at the sixth annual law technology news awards for our end-to-end eDiscovery platform; and
- Sushovan Hussain, CFO, was presented with FTSE 100 Finance Director of the Year Award at the FD's Excellence Awards supported by the CBI.

Acquisitions

Autonomy is one of the least acquisitive players in the software universe and has only made three major acquisitions (Verity in 2005; ZANTAZ in 2007; and Interwoven in 2009) in its fifteen year history. Each was in pursuit of a clear strategic goal: to make the IDOL platform the universal standard for processing unstructured information, just as the database is the universal standard for structured information. With these strategic acquisitions we have accelerated the adoption of Autonomy's technology in specific markets, and linked together disparate end-markets, for example, combining call centres with web interaction to give a 360 degree view of the customer.

It is not part of Autonomy's strategy to acquire vertical applications or businesses that are founded on a professional services engagement model. This makes traditional software style acquisitions difficult to do, because Autonomy sells a horizontal platform, and wants to retain a pure high margin software business model. Given the focus on broadening the adoption of IDOL technology only acquisitions that would clearly further this goal are considered. It is crucial to understand how this has driven Autonomy's strategy to date.

Chief Executive's Review

In this area, Autonomy has a track record of success, these being some facts of note:

- Three strategic acquisitions in company history with net aggregate value of $1.3 billion, representing approximately 20% of current market capitalisation;
- Combined annual profits of acquired companies at the time of acquisition was approximately $43 million, representing less than 12% of Autonomy's 2010 profits;
- The average share price return for Autonomy's shares from the three major transaction announcements to 12 months post-closure is 44%;
- Revenue and cost synergies have lead to average EPS accretion of more than 65% after 12 months;
- Accelerated growth in acquired businesses; and
- Companies fully integrated within two quarters following closure.

Whilst it was our hope and expectation that we would be able to announce a strategic acquisition in 2010, uncertainty is the very nature of these transactions. The Directors continue to take a prudent view towards acquisitions and will only undertake transactions when they meet the company's needs.

2010 saw two small transactions with the acquisition of the assets of CA Technologies' Information Governance business, further strengthening Autonomy's leadership position in Meaning Based Governance, and the acquisition of MircoLink LLC, intended to accelerate the adoption of Autonomy technology in U.S. state and federal government accounts. Neither transaction was expected to have a material impact on Autonomy's prospects or results, neither on revenue nor profits, nor (save for the payment of the cash consideration) on cash or cash flows of the group.

Shareholder Return

Whilst it is not my place to comment on the company's share price, I note that Autonomy has consistently outperformed indices and peers to build long-term shareholder value. Our performance during the past eight years, whilst retaining one of the most dedicated and modestly compensated management teams, has delivered significant returns for shareholders. Autonomy will continue to make fundamental decisions on the basis of long-term shareholder return rather than in reaction to short-term issues.

"Autonomy has risen from nothing to a multi-billion pound business in a little more than ten years, and is widely acknowledged as being the definitive knowledge economy company." – Daily Telegraph, September 2009

Operations

As has always been the case throughout Autonomy's development, we continually promote or bring in new talent based on changes in the markets or the evolution of the size and scale of the organisation. This is an ongoing process always subject to adjustment. In this regards during the year we increased management breadth with the appointment and promotion of senior management across all areas of the business, including a new head of Latin American sales, and some key new hires in areas like professional services, as well as broadening out the next layer of management down. We've made some key promotions internally in the areas of partner management, including a new layer of subject matter experts on the marketing side. We also massively expanded our data centre capacity and opened new offices in emerging markets such as Brazil and India, with additional investment expected in 2011.

We've also continued to reorganise our partner managers around the three usage cases of technology of Power, Protect and Promote. Areas like sales and marketing are becoming aligned to support these use case drivers as a business.

During 2010 we welcomed two new highly-skilled individuals to the Board as Non-Executive Directors. Jonathan Bloomer, our new permanent chair of the Audit Committee, brings extensive financial and management expertise. Professor Frank Kelly brings an academic background to contribute to the extension of Autonomy's world-leading technology.

Trends

Last year I reported that we saw our strongest growth in the new models of the software industry such as OEM and cloud computing. During the course of 2010 we saw the balance of our business shift towards IDOL Cloud and IDOL OEM being the key drivers of our business.

During the year our constituencies began to understand how these models differ from traditional software businesses, and we saw the expected momentum in these areas.

We believe the growth rates seen across our business lines in Q4 2010 projected forward provide a solid baseline on top of which our current record pipeline and "commit" imply that current market expectations are conservative.

As in 2009, global events such as the Gulf oil spill laid bare the fundamental change of the IT world to the usage of unstructured information, the very essence of what drives Autonomy. The net result is the continuing convergence of legal and operational information systems and the continued understanding of the need to manage based on "meaning".

We began 2011 with the strongest Meaning Based Computing portfolio in the industry and an ever-expanding understanding in the market of the challenges associated with unstructured information. With our unmatched product portfolio, scale and vision, we look forward to the challenges to be presented in 2011 regardless of the environment.

I take this opportunity to thank once again our customers, shareholders, employees and partners for their continued support."

Dr. Michael R. Lynch
Chief Executive Officer and Co-Founder
22 February 2011

Business Overview

This section explains how Autonomy operates, including our vision, the nature of our IDOL technology, a description of our customer base, through to our markets and business model.

An Introduction to Autonomy

Founded in 1996 with a unique combination of technologies borne out of research at Cambridge University, Autonomy has experienced a meteoric rise. The company currently has a market capitalization in the range of $6 billion, is one of the three largest software companies in Europe and has offices worldwide. Autonomy is a global leader in infrastructure software for the enterprise that helps organisations to derive meaning and value from their business information whether unstructured, semi-structured or structured, as well as mitigate the risks associated with those same assets.

Autonomy's position as the market leader is widely recognized by leading industry analysts including Gartner, Forrester Research, IDC and Ovum.

Autonomy's Vision

Think back to the late 1960s when computers first started to be used for business. At that time computers were far too basic to understand the rich forms of information that human beings exchange every day. So the solution was to take human friendly information and distil it into a much simpler form – the rows and columns of a database. So if a person lives at "3 Acacia Avenue" that information is entered into the particular row and column of the database that is for the first line of the address. The information is structured so that its position tells the computer what it means. So the computer could then identify, for example, that column three, row four was the amount of inventory in the warehouse, and when that number went close to zero it could automatically issue a purchase order to replenish the warehouse. It had automated a business process, and replaced a human being who would have had to do the job manually.

This was the birth of the modern IT industry. Today, behind every piece of enterprise software there is a database. It might be software to administer a hospital or a customer-handling system – all have a database at their core, and then usually a tailored interface to make different operations possible depending on the use case.

But what if computers could actually understand information in its rich, unstructured form, and automatically do useful things with it?

Autonomy's vision is to enable computers to be able to process human friendly, unstructured information such as emails, voice messages and videos, based on its meaning. So the computer can watch emails being sent within a bank and identify those that mean there is a compliance problem. Or listen to calls in a contact centre and identify a number of calls all about the same product issue, perhaps an exploding battery, and alert a supervisor. Autonomy does for unstructured information what the database is capable of doing for structured information.

The fundamental idea is simple: computers should map to our human world and solve our problems, rather than the other way around. This is the biggest change in the IT industry to date, because it is the first real change to the "I" – the information, unlike the many recent changes to the "T" – the technology, such as the shift to the client server model, or cloud computing. As a result, Autonomy's technology is applicable to every area of IT, and is consistently rated the leader across analyst reports in many areas of software from enterprise search to eDiscovery, and through our OEMs even in areas where Autonomy does not itself compete, such as content leak prevention.

Business Overview

What this demonstrates is the power of Meaning Based Computing ("MBC") to disrupt and transform every existing area of software as unstructured information comes to the fore. No other technology has this breadth of applicability and this first rate recognition by analysts.

Meaning Based Computing (MBC)

When computers "understand" information, they can start to process it automatically and begin to bring information to the user rather than the other way round. For example, by forming an understanding, computers can automatically create organise, alert users to new and relevant information in real-time or automatically profile an individual's interests based on what they read and write, offering them information without the need to search, or introductions to experts and similar people. Autonomy's technology is able to cluster information, identifying themes or conceptually similar information. In addition, using this approach it is possible to detect irregularities in everyday scenes for security purposes, identify well-known speakers in broadcast media and analyze conversations to detect positive or negative sentiment. The possibilities are virtually limitless.

MBC addresses the full range of information challenges and consequently forms the central requirement of major enterprise deployments all over the world. Industry Analysts estimate that only around 20% of enterprise information is of the structured type that is held in a database. The remaining 80% is in human friendly forms such as email, telephone conversations and video, which cannot easily be put into a database. If you reflect on your working day, and consider the number of times you interact with structured data, such as a list of customers, or sales data, and the number of times you send an email or pick up the phone, you will find this to be right intuitively.

Use Cases – The Power of the Three "Ps"

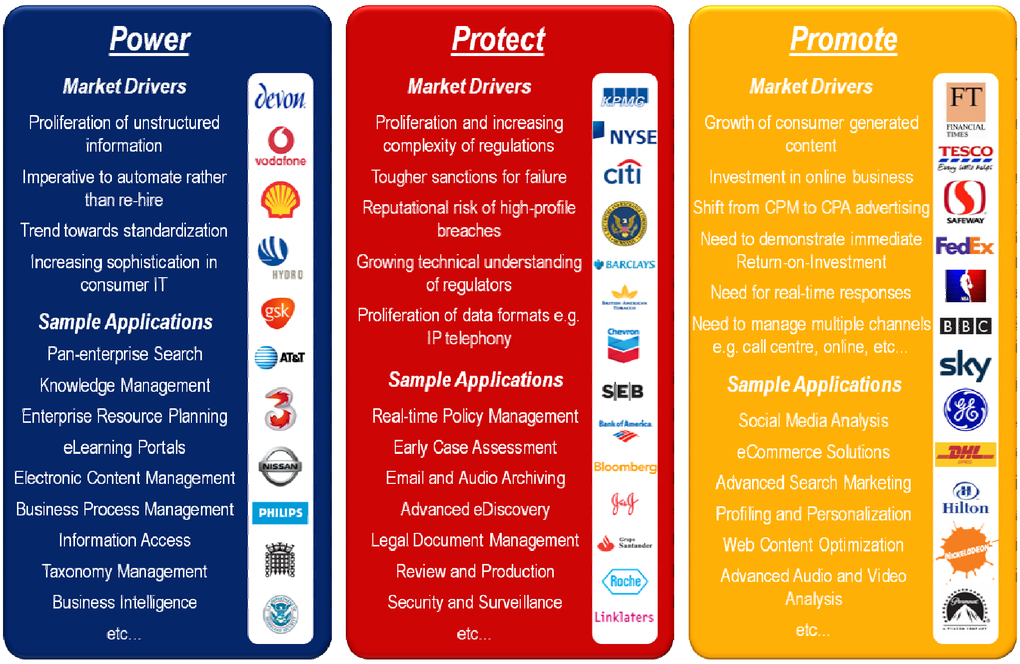
How do customers use Autonomy's technology? We go to market with our technology loosely organised for marketing purposes into three different "use cases": the need to Power, Protect and Promote the enterprise. Over time we would expect these to collapse into a single driver, but at present they should be thought of as separate.

Power - Power is traditionally our core business and is the critical infrastructure that enables any type of organisation to manage and process all of its data, independently of where it is stored or created (structured, unstructured and semi-structured). This shift is on a 15 year cycle, and we expect the other two pillars of growth eventually to be subsumed into this category, as CIOs realise that there is a fundamental challenge behind all their information infrastructure: the need to process information automatically.

Protect - Following the 2006 amendments to the U.S. Federal Rules of Civil Procedure (FRCP) organisations are required to make all relevant Electronically Stored Information (ESI) accessible to the courts as part of legal proceedings within a period of 99 days. The sanctions for failure to comply include crippling fines and incarceration for executives. This has incredibly far reaching consequences for organisations that formerly relied on manual discovery processes, which took years to complete. Following the FRCP, around fifty new regulations have been proposed in an attempt to tighten up credit markets and promote sound corporate governance. Recent and upcoming changes in the regulatory environment affect all industry sectors, not just financial services, with the attendant need for the legal system to adapt to the modern age at the very beginning of its cycle, not the end

Promote - Promote is focused around our Meaning Based Marketing (MBM) solutions suite. Much of the retail value chain that has disappeared from the high street is likely to come back online, as organisations look to extend their cost savings and switch to more efficient business models following the economic downturn. Consequently, this area will benefit from the increase in spend as organisations leverage their on-line business model.

The following graphic illustrates some of the market drivers behind each of these use cases, some of the sample applications of the technology and sample customers:



Business Overview

Customers

An extensive range of blue chip customers and public sector agencies from around the world use Autonomy's horizontal technology, relying on multiple elements of our core IDOL technology for use across their global platforms.

Media organisations such as ITN, MTV, Bloomberg, CNN, Reuters, HBO, Forbes, the Press Association and France 2 use Autonomy's award-winning technology to reduce production costs, keep journalists abreast of new developments, publish and deliver large amounts of rich media content, archive disparate sources of content for reuse or sale, drive traffic acquisition, provide browsers with a first-class user experience, and increase advertising revenue.

eCommerce providers such as Play.com, Callaway Golf, FedEx, Forbes, GCI Commerce, JobTarget, Louis Vuitton, Safeway, Schneider Electric, The McGraw-Hill Companies and T-Mobile employ Autonomy's revolutionary technology to boost conversion rates, promote cross and up-selling, simplify the management of special offers, increase average order size, obtain a snapshot of patterns in buyers' behaviour in real-time, provide customers with a tailor-made online experience, build customer loyalty and monitor customer satisfaction.

"Since implementing Autonomy, sales have gone up in some of our divisions by as much as five to tenfold." - Tesco

Telecommunications providers such as AT&T, Ericsson, Cable and Wireless, BT, Telecom Italia, 3, Verizon, Vodafone, MCI and Sonera have deployed Autonomy to help decrease operating costs and simultaneously improve the quality and scope of services available to customers.

Food and Beverage customers including Kraft, Nestlé, Coca-Cola and Britvic use Autonomy to stay up-to-date with the latest product developments and opportunities in the market to bring exciting products to consumers.

Finance and Banking professionals make numerous critical business decisions in the course of a normal day. Ten of the top ten global banks rely on Autonomy with customers that include Citi, Barclays, Bank of America, RBS, Lloyds TSB, Deutsche Bank, Merrill Lynch, Grupo Santander, Credit Lyonnais, Credit Suisse and Danske Bank to stay abreast of changing customer expectations and increasingly complex regulatory policies.

Pharmaceutical customers such as AstraZeneca, Bristol Myers Squibb, GlaxoSmithKline, Novartis and Pfizer use Autonomy to increase collaboration and decrease product development cycles as well as keep pace with changing regulations, demographic information and general research and development.

Government and public sector agencies throughout the world such as the U.S. Securities and Exchange Commission, U.S. State Department, U.S. Department of Justice, U.S. Department of Commerce, U.S. Department of Labor, U.S. Department of Education, UK Houses of Parliament, the British Tourist Authority and the UK Department of Trade and Industry use Autonomy to connect people and resources.

Intelligence and Defence organisations across the world use Autonomy to protect against security threats. Worldwide customers include the U.S. Department of Homeland Security, U.S. Department of Defence, French MOD, Italian Ministry of Interior, Swedish Defence, Romanian Security, Spanish MOD, British MOD and the National Nuclear Security Administration.

Legal organisations, including 75 of the top 100 global law firms, over 1,400 law firms and over half of the Fortune 25 have standardized on Autonomy for all of their information discovery, high precision retrieval, and litigation support. Autonomy enables customers such as White & Case, Freshfields, Pillsbury, Burges Salmon, LexisNexis, Linklaters and the UK Law Society to speed up research, facilitate collaboration and information sharing, avoid duplication of effort, improve internal communications and streamline operations.

IT companies such as IBM, Intel, Oracle, Sybase, BMC Software, Hewlett-Packard, Sun Microsystems, Lucent Technologies and HP/EDS have selected Autonomy to support development and accelerate routes to market.

Consulting and professional services customers such as IBM Global Services, KPMG, PriceWaterhouseCoopers, Forrester Research and McCann Erickson use Autonomy to fully harness their personnel's expertise by fostering collaborative networks and profiling interactions between people.

Energy and utilities customers face myriad challenges such as climate change, depleting resources and soaring numbers of expatriate workers with teams scattered throughout the world. BP, Halliburton, Entergy, Shell, Weatherford and Norsk Hydro use Autonomy to connect employees around the globe and help them maintain their competitive edge in an increasingly difficult environment.

Manufacturers such as Ford, General Motors, BMW, Toyota, Canon, Schneider Electric, Lafarge, Lexmark and Fiat use Autonomy's technology in order to cut costs, streamline operations and capitalize on their assets in terms of both information and expertise.

Aerospace organisations such as NASA, BAE Systems, the US Air Force and Boeing have selected Autonomy to maximize expertise by promoting collaboration and knowledge sharing between engineers in different parts of the world.

Healthcare organisations including the UK National Health Service, the UK National Patient Safety Agency and Blue Cross/Blue Shield use Autonomy to promote best practices and help protect patient safety. Autonomy provides medical professionals with the information they need to make crucial decisions on the spot.

OEMs

As part of our comprehensive OEM Program, numerous world-leading software companies embed Autonomy's award-winning technology into their software solutions. By leveraging Autonomy's technology, OEM licensees are able to address the problem of unstructured information, provide unique next-generation functionality and deliver unparalleled performance.

Autonomy is relied on by OEMs from virtually every major software sector. Autonomy's technology is currently embedded in over 400 applications addressing many markets, and Autonomy's OEM Program continues to grow at a steady rate, including new and extended agreements with Adobe, McAfee, Siemens, Nuance, HP, GE, Iron Mountain, Symantec, Dassault Systèmes, IBM, OpenText and Oracle.

Research & Development

As a groundbreaking company founded out of pioneering research at Cambridge University, Autonomy is proud to maintain its reputation as one of the most innovative companies in the world. Autonomy continues to focus on research and development to deliver increasingly innovative products to customers and consolidate its position as a market leader. Autonomy's commitment to R&D is evident in the company's continued investment in this area, with R&D investment increasing every year.

Autonomy owns all of the key technology we offer, and hence eliminates the uncertainty of sourcing and integrating solutions from multiple vendors in a consolidating market space. No matter what changes take place in the broader market, Autonomy customers will never be left with unsupported technology or software licenses that become non-renewable. Unlike other software companies that use development resources to do bespoke customization of their products, Autonomy sells a broadly applicable, horizontal product, and consequently R&D costs do not need to grow as a percentage of revenues.

As the largest department in the group, the R&D team continues to represent the lifeblood of the company.

Autonomy's Technology

A Different Approach

Autonomy is unlike most systems, which traditionally tried to match key words and tags, then searching for matches for a human being to do the work. Autonomy is a fundamental piece of technology that allows computers to understand the meaning of unstructured information and process it automatically, enabling computers to do the work instead of humans. IDOL is the equivalent of the database for unstructured information. It sits behind every enterprise application and allows human friendly information to be processed.

Fundamental Technology: 170 Patents

IDOL is built upon the seminal mathematical works of Thomas Bayes and Claude Shannon. But how does it work in simple terms?

$$P(\theta \mid x) = \frac{P(x \mid \theta)\cdot P(\theta)}{\Sigma_{\theta' \in \Theta} P(x \mid \theta')\cdot P(\theta')}$$

Imagine we took today's edition of the Wall Street Journal and cut out each of the words, which we pile up in a heap on the desk. We then ask somebody wearing a blindfold to pick up the words and stick them onto a sheet of paper. The result would be a meaningless jumble of words. It is a truly random process. This tells us that the arrangement of words in the newspaper is not random, it is biased. The "idea" in the mind of the author is what biases the words and their pattern. The word "dog" is more likely to be followed by the word "walk" than by the word "fly", for example, because dogs walk they do not fly. So by studying the preponderance of one pattern over another, Autonomy's technology understands that there is X% probability that the content in question deals with a specific concept.

$$H = -\Sigma p_i \cdot \log_2(p_i)$$

It also turns out that ideas that are less expected within the context of a communication tend to be more indicative of its meaning. So the word "walk" which appears several times in a news article about a man walking his dog conveys far less meaning than the word "murder", which appears just once in the same article. It is this theory that enables Autonomy's software to determine the most important (or informative) concepts within a document.

Compelling Return on Investment (ROI)

By automating processes that relied previously on costly and tedious manual labour, Autonomy's technology generates substantial top line growth and bottom line savings. Rather than simply surfacing information for a user to process manually, Autonomy actually performs operations in real-time. As a result, many tasks that were prohibitively expensive become economically viable.

"Autonomy's core value proposition is amplified in an economic downturn." – Ovum, 2009

For example, for a team of people to identify questionable comments in a 20 minute phone conversation that took place about six months ago we might have to sift through a thousand hours of audio. IDOL can do this in moments, but more importantly, can be applied proactively to notify the team at the time of the infraction. The value is in reducing the volume of manual labour, protecting the enterprise from unforeseen risk and generating growth by unearthing revenue opportunities. BAE Systems realized cost savings of an estimated £7 million in the first year of deployment when IDOL spotted two teams working on the same problem at different facilities. They were able to repurpose an entire team as a result.

Legally Complete Results

Due to the increasing regulatory burden on the enterprise, and specifically in order to comply with the Federal Rules of Civil Procedure, it is essential that the company can find and understand every document, including any metadata, without altering it in any way. In order to scale without impeding performance, if at the beginning of the process a particular result appears to be irrelevant, third party legacy products will stop indexing without taking into consideration the rest of the document. Consequently, a relevant snippet of information on the last page of a hundred-page report could be overlooked and the legal consequences could be catastrophic. IDOL is the only technology able to index every document in its entirety, and still provide millisecond response times.

Autonomy's Products

In Autonomy's fifteen year history our fundamental aim has not changed: computers should map to our human world and solve our problems, rather than the other way around. That technology is the Intelligent Data Operating Layer (IDOL).

IDOL Server

At the heart of Autonomy's infrastructure software lies the Intelligent Data Operating Layer (IDOL) Server. IDOL Server collects indexed data from connectors and stores it in its proprietary structure, optimized for fast processing and retrieval of data. As the information processing layer, IDOL forms a conceptual and contextual understanding of all content in an enterprise, automatically analyzing any piece of information from over 1,000 different content formats and even people's interests.

Over 500 operations can be performed on digital content by IDOL, including hyperlinking, agents, summarization, taxonomy generation, clustering, eduction, profiling, alerting and retrieval. IDOL enables organisations to benefit from automation without losing manual control. This

complementary approach allows automatic processing to be combined with a variety of human controllable overrides, offering the best of both worlds and never requiring an "either/or" choice. IDOL integrates with all known legacy systems, eliminating the need for organisations to cobble together multiple systems to support their disparate components.

Brands
The proliferation of unstructured information is occurring in every industry from manufacturing to financial services. The IDOL platform is a horizontal technology that is used across every industry vertical sector. We use different "virtual brands" to accelerate the adoption of IDOL in these different vertical markets, including the following primary brands:

Autonomy	IDOL branded to automate the retrieval, processing, and management of global enterprise information
Autonomy CARDIFF	IDOL branded for Business Process Management solutions, embedding "self-understanding" into documents to increase process efficiency and ensure compliance
Autonomy etalk	IDOL branded for Meaning Based Marketing offering intelligent solutions for targeting and engagement, online marketing optimization, web content management all on a common platform
Autonomy iMANAGE	IDOL branded for information management in the legal and professional services market
Autonomy INTERWOVEN	IDOL branded for Customer Interaction solutions to automate interaction and provide immediate intelligence on industry trends and customer behaviour
Autonomy VIRAGE	IDOL branded for Rich Media Management in broadcast production, archive management, Internet TV and IPTV applications, and Security and Surveillance solutions facilitating real-time surveillance, detection and protection operations
Autonomy ZANTAZ	IDOL branded for information governance, archiving, policy management and eDiscovery applications

Business Model
Autonomy's unique business model enables highly efficient and profitable indirect distribution of Autonomy's technology. Autonomy's business is the development and licensing of world-leading technology for the automated processing of all forms of unstructured information, working with world-leading organisations to sell and implement Autonomy solutions. Autonomy's OEM customers bring Autonomy technology to vertical markets by embedding it in their own solutions. Autonomy benefits from the expertise of a community of systems integrators and consultants who engage with customers to expand and sustain use of Autonomy products in a wide variety of industries.

Indirect
Autonomy has over 400 Value Added Resellers such as Accenture, IBM Global Services, Cap Gemini, HP and Wipro. This is Autonomy's primary revenue channel. Autonomy has a team of partner managers who attend occasional client meetings and ensure that customers receive the appropriate level of service, but these partners offer domain specific expertise and a global presence which allows Autonomy to run an incredibly efficient sales operation.

OEMs
Autonomy has over 400 Original Equipment Manufacturer (OEM) relationships with other major software vendors that build our technology into their products. These OEMs span every software sector from CRM to Product Lifecycle Management software. Contracts and situations vary, but by way of example an OEM could pay an upfront non-refundable fee and then take two years to launch its product. Once that product is launched they may make license payments of around three percent of product sales to Autonomy. This we would expect to expand over time as OEM customers embed more IDOL functionality in subsequent product releases.

Repeat
More than 50 per cent of Autonomy's revenues come from existing customers returning to purchase additional IDOL functionality or expand the use case of IDOL within new areas of the business. We also have industry leading renewal rates for support and maintenance at over 95 per cent.

Product
Customers who purchase a licence for Autonomy's software initially pay an Average Selling Price of around $790,000. A typical initial contract will likely include four of Autonomy's 500 functions and around four connectors. The pricing model is based on three drivers of value: the number of users, the number of functions / connectors, and the amount of information being processed; any two will be prevalent in a particular use case. For example, in intelligence processing type applications it will be the amount of data rather than number of users that is the dominant factor, but in a corporate environment for a knowledge portal it may well be the large number of users that determines the pricing. In addition to the upfront licence payment these customers also pay a yearly support and maintenance fee, which renews on an annual basis.

The Cloud: SaaS and Hosted
In addition to the licensing model, Autonomy operates both a Software-as-a-Service and hosted delivery model in the cloud, where the solution is run on hardware owned by Autonomy in a dedicated data centre. In fact, Autonomy runs the largest managed archive in the world at over 17 petabytes of data.

Hosted revenues are where we provide Software-as-a-Service (SaaS) but on a single tenant architecture (i.e. one customer on a version of the software with dedicated hardware). SaaS describes a multi-tenant architecture (i.e. multiple customers on the same instance of the software and hardware). There is no difference in the margin structure for the two types of revenue stream, and they tend to be invoiced one quarter in arrears, so they do not contribute to the deferred revenue balance for the business.

Appliance
This is currently a small part of Autonomy's business, focused on quick time-to-value and high return. Where customers have an urgent need to deploy IDOL, either for regulatory or commercial imperatives, we are able to provide a pre-installed licence on appropriate hardware to start generating an immediate return. The value of these solutions is attributable almost entirely to the functions offered by the licence, so although there are some hardware costs involved, the margin profile is not widely dissimilar to our traditional licence business.

Business Overview

Financial Model
Autonomy is one of the very rare examples of a pure software model. Many software companies have a large percentage of revenues that stem from professional services, because they have to do a lot of customisation work on the product for every single implementation. In contrast, Autonomy ships a standard product that requires little tailoring, with the necessary implementation work carried out by approved partners such as IBM Global Services, Accenture and others. This means that after the cost base has been covered, for every extra dollar of revenue that comes in significant benefits can fall straight through to the bottom line. What this offers is a business model with a proven record of strong operating leverage and that is expected to continue to deliver industry leading operating margins and revenue to cash conversion.

Market Opportunity
Industry Analysts estimate that only around 20% of enterprise information is of the structured type that is held in a database. The remaining 80% is in human friendly forms such as email, telephone conversations and video, which cannot easily be put into a database.

"Autonomy is unlike most systems, which traditionally tried to match key words and tags, then searching for matches for a human being to do the work. Autonomy allows computers to understand the meaning of unstructured information and process it automatically, enabling computers to do the work instead of humans."

If you reflect on your working day, and consider the number of times you interact with structured data, such as a list of customers, or sales data, and the number of times you send an email or pick up the phone, you find this to be intuitively correct. Now, remember that every piece of enterprise software has a database at its core. Annual turnover from software sales accounted for around $200 billion in the year 2008. The database market is effectively on a royalty model, with a royalty rate of between 8-10% resulting in annual turnover from databases of approximately $20 billion in 2008.

"Based on Autonomy's ability to automatically identify concepts in structured and unstructured information, Autonomy's Meaning Based Marketing platform is enabled to handle the scale, complexity and speed required to succeed in the modern era." – Information Weekly, March 2010

IDOL is the equivalent of the database for unstructured information. It sits behind every enterprise application and allows human friendly information to be processed. Even if Autonomy's end market were only the size of the structured market it is still a massive opportunity that we have only begun to tap. In reality, because there is much more unstructured information in the world than structured Gartner's head of worldwide research, Peter Sondergaard recently estimated that this area will one day generate revenues of multiple trillions of dollars.

Offices
Autonomy has a global presence with dual headquarters in Cambridge, UK and San Francisco, USA and offices throughout the world including North America, Latin America, Europe and Asia Pacific.

Autonomy's Five Year Record

$'000 (except EPS)	2010	2009	2008	2007	2006
Revenue	870,366	739,688	503,229	343,409	250,682
R&D Expenditure	114,752	98,785	78,410	62,341	51,680
Profit from Operations (adj.)	376,566	328,905	207,482	108,774	68,111
Profit Before Tax (adj.)	378,921	323,066	208,892	113,245	69,148
Net Profit (adj.)	292,216	232,798	148,001	77,237	47,919
Cash from Operations	363,230	286,572	178,783	83,108	46,948
Fully Diluted EPS (adj.)	1.11	0.97	0.68	0.38	0.26
Fully Diluted EPS (adj. IFRS)	1.20	0.97	0.68	0.38	0.26

This section presents Autonomy's operating performance, providing commentary on the financial performance of Autonomy over the past two years.

The following financial review includes certain financial information extracted without adjustment from our consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The information in this financial review is a summary and you should read the entire Annual Report carefully.

In addition, although IFRS disclosure provides investors and management with an overall view of the company's financial performance, Autonomy believes that it is important for investors to also understand the performance of the company's fundamental business without giving effect to certain specific, non-recurring and non-cash charges. Consequently, the non-IFRS EPS (adj.) results exclude share of profit/loss of associates, profit on disposal of investment, interest on convertible loan notes, post-acquisition restructuring costs and non-cash charges for the amortization of purchased intangibles, share-based compensation, non-cash translational foreign exchange gains and losses and associated tax effects. Management uses the adjusted results to assess the financial performance of the company's operational business activities. Full reconciliations are provided on page 45.

2010 Compared to 2009

$'000 (except EPS)	2010	2009	% Change
Revenue	870,366	739,688	18%
Gross profit (adj.)	758,853	651,941	16%
Gross profit margin (adj.)	87%	88%	(1%)
Profit from operations (adj.)	376,566	328,905	14%
Profit before tax (adj.)	378,921	323,066	17%
Net profit (adj.)	292,216	232,798	26%
Gross profit (IFRS)	701,573	602,291	16%
Gross profit margin (IFRS)	81%	81%	—
Profit from operations (IFRS)	316,415	272,178	16%
Profit before tax (IFRS)	282,194	266,066	6%
Net profit (IFRS)	217,293	191,551	13%
EPS			
- basic (adj.)	1.21	0.98	23%
- diluted (adj. IFRS)	1.20	0.97	24%
- diluted (adj.)	1.11	0.97	14%
- basic (IFRS)	0.90	0.81	11%
- diluted (IFRS)	0.89	0.80	12%

Financial Review

Introduction

It is my pleasure to present the results from Autonomy's accounts for 2010. I joined Autonomy in the middle of 2010, taking up the role of Chairman of the Audit Committee. The presentation of the accounts is clearly critical for you as shareholders, as well as for the company and for me personally. Since joining the Board, a high priority for me has been, and remains, working closely with Autonomy's finance team and independent auditor to ensure the presentation of the accounts in the most effective manner. Our work last year is beginning to be reflected in the expanded narrative below. We will continue this effort during 2011 so that we explain the performance of the business as clearly as possible.

Autonomy's success over the past year, a period that saw Autonomy continue to power ahead when many companies in the sector were barely recovering from the tumult of 2008 and 2009, is borne out over these pages. You will find below in the Chief Financial Officer's Review the details of the year, presented in an updated manner to reflect the simple nature of Autonomy's business. It remains true that Autonomy's technology is complex, but its business is relatively simple. Autonomy is a leading provider of software, delivering benefit in the many forms that customers demand these days. In the pages below we accurately reflect that business.

Into 2011 I look forward to continuing the never-ending process of review and renewal, and reporting again to you next year.

Jonathan Bloomer
Chairman, Audit Committee

Chief Financial Officer's Review

I am delighted to have the opportunity to review our financial performance for 2010, a year in which we have delivered a strong financial and operating performance, following on from exceptional results during the worst of the financial crisis. During 2010 we reported record full year revenues of $870 million, up 18% from 2009 and all 2010 financials in line with analyst consensus estimates (Bloomberg as at 11 January 2011).

We saw strong growth in our core IDOL business, with full year organic growth in the core business of 17% (2009: 22%), reflected in the 94 seven figure deals we did in 2010, up 42% from 2009. Operating margins during the year were impacted by certain one-off expenditures, but returned to the company's target range during the fourth quarter. We had another strong year of cash collection and cash conversion, which together with our financing activities during the year allowed us to finish 2010 with nearly $1.1 billion in cash in the bank.

Below I set forth the details of the financial and operating performance of the company during the year. We look forward to similarly strong results in 2011.

Sushovan Hussain
Chief Financial Officer

Operating Results

Revenue. 2010 can be characterised as another year of significant progress for Autonomy. Revenues for 2010 totalled $870 million, up 18% from $740 million for 2009, as enterprises deployed Autonomy's technology to extract maximum value from rapidly expanding quantities of unstructured information. This result was achieved due to a strong performance in all of our markets.

During 2010 Autonomy completed 94 deals over $1.0 million (2009: 66). In 2010 Americas revenues of $592 million represented 68% of total revenues, and Rest of World revenues of $278 million represented 32% of total revenues.

Autonomy's strategy to deepen the penetration of IDOL across all areas of the enterprise is proving successful, as the high level of repeat business demonstrates, with 57% of 2010 revenues from existing customers (2009: 48%). As customers return for additional technology, the scale of projects increases, with greater levels of functionality and connectivity.

Delivery of Autonomy's core technology is via a number of methods, depending on the demands of the customers. Comparative data for prior years is not available for the analysis of each line item as the information required to present the information in this manner was only captured with effect from 1 January 2010. The analysis below includes all available information. Finally the trends are provided for background information and may include qualitative estimates.

Sales during 2010 were as follows, with the trends as discussed above:

IDOL Product. IDOL Product is normally delivered as licensed software paid for up-front with an ongoing support and maintenance stream. This model is becoming less significant with the rise of cloud computing. In 2010, IDOL Product revenue totalled $251 million.

IDOL Cloud. IDOL Cloud delivers Autonomy's IDOL on a Software-as-a-Service (SaaS) model, which is generally invoiced monthly in arrears and generally does not generate deferred revenue. There are two key drivers of cloud revenues for Autonomy: the first and most significant relates to complex processing of information delivered as a service, the second relates to the quantity of data under management. In 2010 IDOL Cloud revenue totalled $190 million and the "commit" number rose to approximately $370 million, up from $347 million in Q3 2010.

IDOL OEM. IDOL OEM is where Autonomy's IDOL is embedded inside other software companies' products. IDOL is now embedded in most major software companies' products addressing most software vertical markets. This is a particularly important revenue stream as it generates ongoing business across the broadest product set possible, in addition to up-front development licences. In 2010 IDOL OEM revenue totalled $132 million, up 32% from 2009. 42 new agreements were signed during 2010 with 10 new agreements signed during Q4 2010, including deals with Nuance, HP and Vericept.

Deferred Revenue Release. Deferred revenue release stems principally from support and maintenance contracts recognized in arrears. In 2010 deferred revenue release totalled $255 million (2009: $212 million), up 20%. The trend in deferred revenue release reflected the overall growth in the business, which also included a full year of contribution in the first quarter of 2010 from the Interwoven acquisition.

Financial Review

Services. Services revenues relate to third party and internal implementation consultants and training. Services revenues remained flat in 2010 at approximately 5% of revenues (or $10 million to $11 million per quarter) (2009: $9 million to $11 million per quarter). Autonomy operates a rare “pure software” model under which our goal is that most implementation work is carried out by approved partners. This optimises Autonomy’s ability to address its horizontal technology to multiple vertical markets and regions in the most efficient way.

Foreign Exchange Impact on Revenues. The effect on revenue of movements in foreign exchange rates in 2010 was a decrease of $4 million compared to 2009 (i.e. if revenues were reported for each quarter using the same exchange rates as those prevailing in the previous year, revenues in 2010 would have been $4 million higher, or $874 million). In 2010 the U.S. Dollar strengthened slightly versus Sterling to an average of $1.55 versus $1.57 in 2009.

Organic Growth. In analysing organic growth Autonomy considers organic IDOL growth to be the most meaningful organic performance metric for understanding the momentum within the business. This excludes the contribution from acquisitions, foreign exchange impact, services revenue (not a goal of the business) and deferred revenue release (primarily maintenance income).

Revenue ($ millions)	2010	2009
Core IDOL reported revenues[1]	574	491
IWOV stub revenues[2]........................	—	4
MicroLink/CA non-service revenue[3]..	—	—
FX..	4	—
	578	495
Growth..	17%	

(1) Core IDOL is made up of IDOL Product, IDOL Cloud and IDOL OEM categories, discussed above.
(2) Interwoven stub revenues are for licence for the period 1 January 2009 through to 16 March 2009.
(3) MicroLink did not have its own product lines but only services. CA unit original product not sold by Autonomy.

Cost of revenues (excluding amortisation of purchased intangibles) in 2010 totalled $111.5 million, up 27% from $87.7 million in 2009. The increase is driven by the increased revenues and a change in the sale mix discussed throughout this report. Cost of revenues (excluding amortisation of purchased intangibles) as a percentage of revenues increased from 12% in 2009 to 13% in 2010.

Amortization of purchased intangibles arises in connection with acquisitions, in particular the Verity, ZANTAZ and Interwoven acquisitions. Amortization of purchased intangibles in 2010 totalled $57.3 million, up 15% from $49.7 million in 2009. The increase is attributable to amortization arising in connection with purchased intangibles acquired with the Interwoven acquisition.

Gross Profits and Gross Margins. Gross profits (adj.) for 2010 were $759 million, up 16% from $652 million for 2009. Gross margins (adj.) for 2010 were 87%, compared to 88% for 2009, with the effects in 2010 of the slightly lower margin IDOL Cloud business being balanced by the higher margin IDOL OEM royalties. Gross profits (IFRS) for 2010 were $702 million, up 16% from $602 million for 2009.

Operating Expenses. Management took the opportunity during this year of transition to invest in personnel, the indirect channel, discretionary marketing activities, new product launches and new offices such as Brazil to ensure the company is in an ideal position to benefit from any upturn in the global macro-economic environment.

Total operating costs in 2010 rose 17% year-on-year to $385 million (2009: $330 million). Adjusting in 2010 for acquisition restructuring costs of $3.5 million, and the effects of foreign exchange, underlying operating costs increased by 18% in 2010. This is primarily because of new marketing campaigns undertaken by Autonomy during the year, the acquisitions of MicroLink and CA’s Information Governance assets, as well as the additional commission expense associated with a higher level of sales.

Research and development expenses in 2010 totalled $114.8 million, up 16% from $98.8 million in 2009. The increase in research and development expenses from 2009 to 2010 was primarily due to investment in new products and increased headcount and associated expenses from increased investment in the company’s core technology and new investment arising from the Interwoven acquisition.

IAS 38 Charges and Capitalization. In 2010, Autonomy expensed $115 million (2009: $99 million) on R&D relating to new products including the development of Meaning Based Healthcare technology, new core IDOL functionality and other ongoing development projects. Under IAS 38 the company is required to capitalize certain aspects of its research and development activities. R&D capitalization in 2010 was $39 million (2009: $25 million). R&D capitalization for 2010 is offset by amortization charges of $17 million (2009: $9 million) arising from historical R&D capitalization. Unlike US GAAP accounting, IAS 38 mandates the capitalization of R&D under certain circumstances.

The capitalization and related offsetting charges resulted in a net credit (before tax) in the year of $21 million (2009: $16 million), and a net margin impact of approximately 2% (2009: 2%).

Sales and marketing expenses totalled $204.1 million in 2010, up 20% from $170.8 million in 2009. The increase in sales and marketing expenses from 2009 to 2010 was primarily due to increased advertising, additional headcount and an increase in sales commissions due to an increase in sales and a change in the geographic and size-of-transaction mix, all of which also increased with the expansion of the group in 2010. As a percentage of revenues sales and marketing expense remained stable at 23% in 2010 (2009: 23%).

General and administrative expenses totalled $69.4 million in 2010, up 14% from $60.6 million in 2009. The increase in general and administrative expenses from 2009 to 2010 was due to an increase in average headcount due to the CA and MicroLink acquisitions and general growth together with legal, accounting and tax advice necessitated by the enlarged group.

Post-acquisition restructuring costs totalled $3.5 million in 2010, versus $0.8 million in 2009. Such costs are non-recurring costs associated with acquisitions, in 2009 associated with the Interwoven acquisition and in 2010 associated with the acquisition of CA and MicroLink together with the costs of a potential transaction not completed.

Gain on foreign exchange totalled $6.6 million in 2010, compared to a gain of $0.9 million in 2009. The gain arises as a result of movements in foreign currencies against the functional currency of the relevant operating companies. This results in transactions being settled at different amounts to the foreign currency asset or liability’s carrying value.

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Profit from Operations and Operating Margins. Profit from operations (adj.) for 2010 was $377 million, up 14% from $329 million for 2009. Operating margins (adj.) were 43% in 2010, down from 44% in 2009, and returned to the company's target range during Q4. Profit from operations (IFRS) for 2010 was $316 million, up 16% from $272 million for 2009. Operating margins (IFRS) were 36% in 2010 down from 37% in 2009.

During the year we did significant work on one specific acquisition target and during the fourth quarter we expensed the costs relating to this work, as discussed above. The transaction was delayed due to changes in the targeted asset; this asset has not transacted with any other party.

Share of loss of associate, relating to our investment in OpenV, totalled $1.8 million in 2010, up from $0.3 million in 2009. The movement reflects changes in OpenV's business model during the year after moving from its early stage growth phase.

Interest income totalled $8.5 million in 2010, up nearly six-fold from $1.2 million in 2009. Interest income in 2010 rose primarily due to increased cash balances arising from the proceeds of the convertible loan note and operational cash flow.

Interest payable for 2010 totalled $41.3 million, up 486% from $7.0 million in 2009. The increase is a result of a non-cash charge of $35.2 million in relation to the convertible loan notes issued in March 2010. The convertible loan notes pay a cash coupon of 3.25%. The income statement charge is notional and is based on a market rate of interest for corporate loan notes of similar term without a convertible element in accordance with IFRS. The remainder of the interest payable relates to the company's bank loan incurred in connection with the Interwoven acquisition in 2009, which has decreased during the year due to scheduled repayments.

Profit before tax (adj.) totalled $378.9 million in 2010, up 17% from $323.1 million in 2009. Profit before tax (IFRS) increased to $282.2 million in 2010, up 6% from $266.1 million in 2009. The increase in profit before tax reflects the increase in revenues from 2009 to 2010 offset by smaller increases in costs, as discussed above.

Taxation. The effective tax rate for 2010 was at 23%, down from 28% for 2009. The decrease from 2009 is the result of changes in the profit mix between the UK and overseas, as well as the completion of tax studies resulting in the recognition of additional brought-forward tax losses. The effective tax rate for 2011 will likely be in the range of 27-29% as the one-off benefit in 2010 in relation to the utilisation of tax losses will not be repeated.

Net Profits. Net profit (adj.) in 2010 was $292.2 million compared to net profit (adj.) of $232.8 million for 2009. Net profit (IFRS) in 2010 was $217.3 million compared to net profit (IFRS) of $191.6 million for 2009.

Earnings per Share. EPS (IFRS adj.) for 2010 was $1.20 (2009: $0.97), which represents 24% growth over the year. If one was to assume that the convertible loan notes had already converted then EPS (adj.) for 2010 would have been $1.11 (2009: $0.97). EPS (IFRS) for 2010 was $0.89 (2009: $0.80), which represents 12% growth over the prior year.

Balance Sheet Items

Cash and financing activities are set forth below under "*Liquidity and Capital Resources.*"

Goodwill increased to $1,361.9 million at the end of 2010 from $1,287.0 million at the end of 2009 as a result of goodwill arising in connection with the CA and MicroLink acquisitions during 2010. Goodwill balances are independently tested on a regular basis.

Other intangible assets increased to $400.4 million at 31 December 2010 from $399.3 million at the end of 2009 as a result of additions during the year. Purchased intangibles of $18.9 million were acquired in connection with the CA and MicroLink acquisitions, with a further $68.0 million of additions relating to software licenses, patents, trademarks and internally generated assets such as from the entry by the company into the healthcare market. These additions were offset by amortisation charges of $85.6 million (2009: $64.9 million). During the year a software license that was purchased for a limited period was extended for a small fee, therefore depreciation was lower than expected. No policy change was made during the year.

Property, plant and equipment was at $42.6 million at 31 December 2010, compared to $33.9 million at the end of 2009. Additions during the year of $22.3 million have been partially offset by the depreciation expensed. The additions are primarily attributable to the continued expansion of our data centres as we prepared for the increased demand in the cloud.

Equity and other investments increased by $52.0 million to $68.6 million, primarily relating to additional investment in blinkx Plc during the year and a significant increase in blinkx's share price. The company holds a 14% interest in blinkx Plc, which is measured at fair value each period end. Since 2008 blinkx's share price has risen more than 900%. No impairment has been required for any of the group's investments.

Deferred tax assets decreased to $16.3 million at the end of 2010, from $24.0 million at the end of 2009. The decrease is driven by the ability of the group to recognise stock option losses, which will vary over time based on changes in the company's growth profile and share price.

Trade and other receivables increased to $330.1 million at the end of 2010, from $275.5 million at the end of 2009. The increase is commensurate with the increased revenues of the group. At the end of 2010 DSOs were 94 days (2009: 88 days), just above the top end of the company's target 80-90 day range but in line with normal historic fluctuations

Other receivables, which include deposits, prepayments, sales tax and accrued income, increased to $62.5 million from $45.2 million, attributable to the increase in the size of the company's business throughout 2010 and marketing spend such as sponsorships. Despite the difficult economic climate, the bad debt write off in the year was below 1% of sales and accrued income remained below 5% of revenue.

Cash Conversion. On a twelve month basis, which accounts for the seasonality of the business, cash conversion improved to 87% (2009: 80%). Given the growth profile of the company 87% approximates to the theoretical maximum that should be achievable.

Trade and other payables increased to $75.4 million at the end of 2010, from $69.4 million at the end of 2009, attributable to the increase in the size of the company's business throughout 2010.

Bank loans decreased to $145.2 million at the end of 2010, from $197.5 million at the end of 2009. The decrease is due to the scheduled repayment of a portion of the loan in March 2010. The next repayment of £79.6 million is scheduled for March 2011.

Tax liabilities stood at $33.2 million at the end of 2010, down from $43.3 million at the end of 2009, which was as a result of the recognition of additional tax losses during 2010 due to the company's continued profitability. The total tax expense for 2010 was $64.9 million compared to $74.5 million in 2009.

Deferred tax liabilities stood at $91.1 million at the end of 2010, up from $85.1 million at the end of 2009. The increase is due to accelerated tax depreciation on fixed assets.

Deferred revenue increased to $179.7 million at the end of 2010 (2009: $173.5 million). This increase has been achieved despite the trend towards pay-as-you-go cloud models. It is worth noting that our IDOL Cloud and IDOL OEM revenue streams do not generate deferred revenue in the same way as the traditional models.

Liquidity and Capital Resources

Autonomy closed 2010 with a gross cash balance of $1.1 billion, bank debt of $145 million (2009: $198 million), convertible loan notes of $682 million and no net debt.

Movements in cash flow during 2010 of note (discussed below in more detail) included:

- Positive cash flow from operating activities of $302 million, up 21% from $250 million in 2009.
- Capital expenditure of $60 million during 2010, up from $34 million in 2009. This represents the continued investment of the company in areas of expected growth for future years.
- Expenditure on product development, resulting in a cash outflow of $39 million (2009: $25 million), as discussed above.
- Acquisition of MicroLink and CA's Information Governance assets for aggregate consideration of approximately $79 million.
- Proceeds of approximately $762 million through the issuance of convertible loan notes in March 2010, offset by interest payments of $13 million during 2010 representing the first semi-annual payment of the coupon rate of 3.25%.
- Scheduled bank loan repayments of $54 million (2009: $37 million).

Cash generated by operations totalled $363.2 million in 2010, an increase of 27% from $286.6 million in 2009. The increase in cash generation from 2009 to 2010 was directly related to increased revenues and strong cash collection during the year. Income tax payments increased from $36.6 million in 2009 to $60.9 million in 2010 due to increased profits.

Net cash used in investing activities totalled $180.0 million in 2010, down from $694.5 million in 2009, principally used for the CA and MicroLink acquisitions (versus 2009 during which cash was principally used for the Interwoven acquisition resulting in a net cash outflow of approximately $630 million). The remainder of the uses in 2009 and 2010 and the movement in the periods related to purchases of property, plant and equipment, investments and expenditure on product research and development.

Net cash provided by financing activities totalled $709.6 million in 2010, up from $486.5 million in 2009. Cash provided by financing activities in 2010 was primarily the result of the convertible loan note, together with the proceeds of employee share option exercises totalling $18.7 million. Cash provided by financing activities in 2009 also included $200.0 million drawn on the new bank loan for the Interwoven acquisition, which was offset by early repayments of the company's bank loans, interest charges and arrangement fees totalling $46.6 million. The company did not repurchase any shares during 2010 or 2009.

At 31 December 2010 the company had remaining bank debt of $145.2 million, down from $197.5 million at the end of 2009. The decrease in the balance is the result of scheduled repayments of the company's bank loan.

The company's commitment as at 31 December 2010 under operating leases was $17.1 million (2009: $17.0 million), as discussed in note 28. The company does not have any material financial guarantees or related covenants. Substantially all of the company's cash balances are held in short-term deposits with AAA ratings, paying market interest rates. The company holds material cash balances in pounds sterling, U.S. dollars and Euros. The company does not currently undertake currency hedging transactions to cover the company's transaction or translation exposures, but the company may choose to hedge a portion of these exposures in the future.

The directors believe that the company's current cash and cash equivalents and cash generated from operations will be sufficient to meet the company's anticipated cash requirements for working capital and capital expenditures for at least the next 12 months.

Key Risks and Uncertainties

Autonomy operates globally in varied markets and is affected by a number of risks inherent in its activities, not all of which are within its control. The following discussion identifies the most significant risks that may adversely affect the company's business, operations, liquidity, financial position or future performance. This section should be read carefully in conjunction with the "Forward-Looking Statements" on page 88 of this document. The Audit Committee has responsibility for overseeing the risk management processes and procedures, and conducts a regular review of activities. The company's risk management policies and procedures are also discussed in the Corporate Governance Report beginning on page 28.

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The key risks to which the business is exposed are summarized as follows:

Risk	Description	Impact/Sensitivity	Mitigation/Comment
Technology	Business depends on our core technology, and our strategy concentrates on developing and marketing software based on our proprietary technology.	Since substantially all of revenues derive from licensing our core technology, if unable to maintain and enhance the competitive value of our core technology our business will be adversely affected.	▸ Continue to invest heavily in research and development to maintain competitive advantage. ▸ Monitor market to maintain competitiveness. ▸ Apply core technology to new and additional vertical market applications.
Competition	Technology which significantly competes with our technology.	Could render our products out of date and could result in rapid loss of market share.	▸ Invest heavily in new product development to ensure that we have products at various stages of the product life cycle.
Variability and visibility	There may be fluctuations in results due to quarterly reporting, and variability in results due late-in-the-quarter purchasing cycles common in the software industry.	Although quarter-to-quarter results may not be meaningful due to the short periods, negative sentiment may arise based on interpretation of results. Due to late purchasing cycles common in the software industry, variability in closure rates could become exaggerated resulting in a negative effect on operations.	▸ Close management of sales pipelines on a quarterly basis to improve visibility in results expectations. ▸ Close monitoring of macro and micro economic conditions to understand variability in closure rates. ▸ Annual and quarterly target setting to enable results achievement.
Margins	Expenditures increasing without a commensurate increase in revenues, and rapid changes in market conditions.	If increased expenses are not accompanied by increased revenues, we could experience decreased margins or operating losses.	▸ Close monitoring by management of revenue and cost forecasts. ▸ Adjustment to expenditures in the event of anticipated revenue shortfalls.
Average selling prices	The average selling prices of our products could decrease rapidly.	May negatively impact revenues and gross margins.	▸ Monitor market prices on an ongoing basis. ▸ Pricing responsibility at a senior level of management for deviations from standard.
Market conditions	The continuation of unfavourable economic and market conditions.	Could result in a rapid deterioration of operating results.	▸ Regular monitoring of economic conditions. ▸ Adjustments to costs and product offerings to anticipate and match market conditions.
Resellers	Our ability to expand sales through indirect sellers and our general reliance on sales of our products by third parties.	Inability to recruit and retain resellers who can successfully penetrate their markets could adversely affect our business.	▸ Invest in training resources for resellers. ▸ Close monitoring of reseller sales cycles. ▸ Investment in direct sales channel.
Management	The continued service of our executive directors.	The loss of any key member of management may affect the leadership of the company.	▸ Establish succession plan. ▸ Maintain effective management training programme. ▸ Attract and retain senior personnel.
Hiring	The hiring and retention of qualified personnel.	Without the appropriate quality and quantity of skills throughout the organisation it would be difficult to execute the business plans and grow.	▸ Use of external recruiters and internal bonuses. ▸ Rigorous talent management plans and reviews. ▸ Provide competitive compensation packages. ▸ Ensure that work is challenging and rewarding.
Product errors	Errors or defects in our products.	Could negatively affect our revenues and the market acceptance of our products and increase our costs.	▸ Invest in quality control programmes. ▸ Monitor integrity and effectiveness of software. ▸ Solicit and act on customer feedback.
Acquisitions	Problems encountered in connection with potential acquisitions.	We may not successfully overcome problems in connection with potential acquisitions, which could lead to a deterioration in our results.	▸ Carefully evaluate transactions. ▸ Conduct thorough due diligence on all targets. ▸ Carefully plan for post-acquisition integration.
IP infringement	Claims by others that we infringe on their intellectual property rights.	If our technology infringed other parties intellectual property rights we could be exposed to costs and injunctive relief.	▸ Monitor market developments closely to identify potential violations of our patents, and by the company, and take action where necessary. ▸ Maintain a significant number of patents to support our business and protect competitive advantage.
Growth	Our ability to effectively manage our growth.	Expansion places demands on management, engineering, support, operations, legal, accounting, sales and marketing personnel and other resources. Failure to manage effectively will impact business and financial results	▸ Recruitment and retention of key personnel. ▸ Investment in corporate infrastructure including support, operations, legal and accounting personnel. ▸ Focus on internal controls.
International risks	Additional operational and financial risks as we continue to expand our international operations.	Exposure to movements in exchange rates and lack of familiarity with local laws could lead to infractions.	▸ Pricing of contracts in U.S. dollars to the extent possible to minimise exchange risk. ▸ Retention of local staff and local advisors, reporting to headquarters, to manage risk.
Security breaches	Any breach of our security measures and unauthorised access to a customer's or our data.	Could result in significant legal liability and negative publicity.	▸ Establish and maintain strict security standards. ▸ Test security standards on a regular basis.

The company's policies applicable to employees addressing key business risks, including financial, communications, whistle blowing and health and safety, are made available through policy manuals and the company's intranet site.

The processes to identify and manage the key risks to the success of the company are an integral part of the internal control environment. Such processes, in addition to those discussed above, include strategic planning, appointing highly skilled managers with accountability, regular monitoring of performance and setting and communicating high standards and targets for ethics, safety and health.

Sushovan Hussain

Sushovan Hussain
Chief Financial Officer
22 February 2011

Financial Review

The company has several key performance measures used internally to monitor and challenge performance and to assist decision making. The most important measures are summarized as follows:

Indicator	Purpose of Indicator	2010	2009	% change	Target Range
Revenue	Measure of the company's success in growing the adoption of its technologies	$870.4	$739.7m	18%	⇧
Revenue per employee	Measure of operating efficiency and success of the company's business model	$463,000	$439,000	5%	⇧
Average selling price	Indicator of the value of the company's offerings and industry trends	$790,000	—[1]	—	stable
Deals > $1 million	Indicator of strategic value of company's offerings and general economic indicator	94	66	42%	⇧
Gross margins (adj.)*	Indicator of success of the company's business model	87%[2]	88%	(1%)	85-90%
Operating margins (adj.)*	Used to monitor overall company performance	43%[3]	44%	(1%)	45-50%
EPS (adj. IFRS)*	Measure of overall company performance for total shareholder return	$1.20	$0.97	24%	⇧
DSOs	Measure of quality of customer base and conversion of revenues to cash	94 days	88 days	(6 days)	85-90 days
Cash balances	Indicator of cash collection, use of resources and key company assets	$1.1b	$242.8m	337%	>$100m
LTM cash conversion	Measure of ability to convert profits to cash	87%	80%	7%	85-95%
R&D expense	Important measure for long term company investment in technology leadership, but will vary over time	$114.8m	$98.8m	16%	N/A
Average headcount	Indicator of growth of company relative to revenue growth	1,878	1,684	12%	N/A

* For adjusted results details and reconciliations see page 45. The above items are provided for background information and may include qualitative estimates.
(1) Presented throughout 2010 on an updated basis of presentation from 2009, thus no comparative data available.
(2) Affected by movement of revenue from IDOL Product to IDOL Cloud during 2010.
(3) Returned to the company's target range during Q4 2010.

Corporate Responsibility

Autonomy is committed to supporting the principles of economic success, environmental stewardship and social responsibility. We believe that by acting as a responsible corporate citizen we will not only minimize business risk, but also enhance our reputation as a business partner and employer. Further, by advocating and resourcing staff development and community engagement, we believe that we can differentiate Autonomy from other employers and create a business where people want to work.

Our Approach

Our business strategy and our Corporate Social Responsibility (CSR) strategy are closely linked. Meeting the needs of our society creates the best opportunities to grow our business in the long term. There is one vision at the heart of everything we do: We aim to revolutionize the way computers process human-friendly information, automating otherwise manually intensive processes, resulting in a positive impact for our customers and their stakeholders. Our CSR strategy is designed to help us realize this vision.

In addition to generating economic value for all our stakeholders, our primary business activities contribute a range of benefits to the wider society in which we operate. Our technology portfolio allows companies to make greater use of digital information and improve operational efficiency, thereby reducing climate change that results from the mass production of corporate literature, and inefficient manufacturing and distribution networks. In addition, our information governance software helps to regulate enterprise information, which in turn helps to promote ethical business practices. In this context we take regular account of the significance of social, environmental and ethical matters to our operations as part of our regular risk assessment procedures, with such matters regularly considered by the executive directors.

Oversight

Sushovan Hussain, Chief Financial Officer and Board Director, has been appointed by the Board as the director responsible for all matters relating to corporate social, ethical, employment and environmental policies. This year management renewed the company's ethical policy, which sets forth the principles that guide our strategy, and implemented a number of specific programmes.

Stakeholder Dialogue

The company endeavours to be honest and fair in our relationships with customers and suppliers, and to be a good corporate citizen respecting the laws of the countries in which we operate. The company is accountable to our shareholders but also endeavours to consider the interests of all of our stakeholders, including employees, customers and suppliers, as well as the local communities and environments in which we operate. We proactively encourage and respond to feedback from all our stakeholders, through quarterly consultations and through our corporate communications strategy. The Autonomy website includes a written record of our ongoing dialogue with the investment community, which we make available for all our stakeholders to view.

Monitoring

The Board is committed to monitoring the company's corporate social responsibility policies in key areas. Management monitors the company's day-to-day activities in order to assess risks in these areas and identify actions that may be taken to address those risks. Given the company's relatively small size and minimal social and environmental impact, we believe that there are few risks to our short and long term value proposition arising from these matters, although we consider the potential to deliver greater value by responding to these issues appropriately. As a result at present the Board has not linked the management of these risks to remuneration incentives, given the difficulties in measuring the changes to those risks objectively. The Board believes the company has adequate information to assess these matters, and effective systems for managing any risks. The company's website includes a section dedicated to corporate ethical, employment and environmental issues.

Policies

Whilst the Board considers that material risks to the company arising from social, ethical, employment and environmental issues are limited, given the nature of the company's business, policies have been adopted in key areas to ensure that such risks are limited. Examples of policies and practices in these areas are given below.

Corporate Responsibility

People

As of the beginning of 2011, Autonomy employs approximately 1,900 people worldwide and, in order to continue to grow as a business, the company needs to continue to recruit and retain only the best talent. Therefore it is our policy to pursue practices that are sensitive to the needs of our people. The company strives for equal opportunities for all of our employees, including disabled employees, and we do not tolerate harassment of, or discrimination against, our staff.

Priorities

The company's priorities are:

- Providing a safe workplace with equality of opportunity and diversity through our employment policies.
- Encouraging our people to reach their full potential through career development and promotion from within where possible.
- Communicating openly and transparently within the bounds of commercial confidentiality, whilst listening to our people and taking into account their feedback.
- Recognizing and rewarding our people for their contribution and encouraging share ownership at all levels.

The company respects the rule of law within all jurisdictions in which we operate and supports appropriate internationally accepted standards including those on human rights. Our equal opportunities policies prohibit discrimination on grounds such as race, gender, religion, sexual orientation or disability. This policy includes, where practicable, the continued employment of those who may become disabled during their employment. The company's policies strive to ensure that all decisions about the appointment, treatment and promotion of employees are based entirely on merit, and continued development of the company is made with the maximum practicable involvement and input from employees.

Training and Development

Autonomy is committed to helping people reach their full potential through ongoing training and development. In 2010 Autonomy provided in excess of 4,250 days of training, and funded a tuition reimbursement budget of nearly $20,000. We cultivate a working environment in which continual feedback is encouraged. Together with performance reviews, this enables all employees to take responsibility for their professional development, with frequent opportunities to enrol in scheduled internal training courses, weekly presentations from subject experts and our annual training conference attended by employees from around the world at the start of each new financial year.

Employees with Disabilities

The company's policy is to give full and fair consideration to suitable applications for employment from people with disabilities. If existing employees become disabled they will continue to be employed in the same job or, if this is not practicable, efforts will be made to find suitable alternative employment and to provide appropriate training.

Benefits and Communication

Employees receive benefits including private medical/healthcare; health, travel and life insurance; pensions/401k plan and sabbaticals. We align the interests of employees and shareholders by providing equity participation through share option plans and the Autonomy Employee Benefit Trust. We support family-friendly initiatives such as a child care voucher scheme in the UK and a flexible spending account in the US.

We promote knowledge sharing among employees and hold regular internal conferences to increase awareness, enable collaboration between engineering teams and to educate employees on corporate and divisional strategy. We also produce a regular employee newsletter to introduce people to each other from around the world and share news with all.

Reward and Recognition

To support the goal of attracting and retaining the best people, Autonomy provides competitive and fair rates of pay and benefits in each local market where it operates.

In 2010 Autonomy continued to extend its industry-leading sales compensation plan across all sales persons worldwide, including those from recently acquired companies. In addition, during the year Autonomy increased quarterly and annual bonus targets for individual exceptional performance (below director level).

Share plans are offered to incentivize and retain employees. In 2010 approximately 260 individual grants were made to employees, recognizing them for their contributions by being awarded employee share options which vest over three years.

Employment Policies

Autonomy's employment policies are developed to reflect local legal, cultural and employment requirements. Autonomy seeks to maintain high standards wherever the group operates, as Autonomy aims to ensure that it is recognized as an employer of choice. Autonomy considers its employee relations to be good.

Talent Management and Hiring

During 2010 we increased our focus on increasing our strong base of talented leaders and employees. All managers are encouraged to hold regular performance discussions with their direct reports.

We want to attract the best and brightest graduates to work in all of our operating companies. A globally consistent graduate recruitment programme has been in place for a number of years, hiring top graduate hires across the company.

We aim to create a working culture that is inclusive to all and believe that having a diverse workforce helps to meet the different needs of our customers across the globe. We do not condone unfair treatment of any kind and offer equal opportunities for all aspects of employment and advancement regardless of race, nationality, sex, age, marital status, sexual orientation, disability or religious or political belief. This also applies to agency workers, self employed persons and contract workers.

Human Capital Management

We consider human capital management of paramount importance, including issues of staff satisfaction, the quality of and investment in our workforce. We encourage all our stakeholders to engage in continual dialogue on this topic, in line with our efforts to promote transparency and accountability in all areas of our corporate governance. We believe that these measures will help to ensure our long-term success in a competitive industry where attracting and retaining a highly skilled workforce will ultimately result in higher cash flow per employee.

Corporate Responsibility

In general, we believe the quality and breadth of that dialogue serve as the best indication of the success of our human capital management practices, above all interaction with our employees themselves through the management chain, rather than looking to abstract numerical indicators. However, we are able to provide the following statistics which offer quantitative reassurance that this dialogue is becoming more and more effective in promoting industry leading working practices.

	Autonomy	Industry Average
Productivity		
Absence (days per year)[1]	3.4	7.4
Gender		
Percentage Female[2]	23%	25%
Retention		
Length of Service (years)[3]	4.8	2.6
Seniority		
Average Age (years)[4]	37.3	33.4
Development		
Training (hours) per Employee[5]	149	148

(1) Data from Chartered Institute of Personnel and Development (CIPD), 2010
(2) Goldman Sachs Sustain 2010 Report (data from 2007)
(3) Data from CIPD, 2010
(4) Data from www.microsoft.com
(5) Goldman Sachs Sustain 2010 Report (data from 2007)

Health and Safety

The safety and welfare of employees, contractors and visitors is a priority. We have adopted UK health and safety legislation as the global corporate standard due to its depth and breadth. Our global internal facilities review evaluates the appropriateness of all sites with a goal of consistency of quality workspace worldwide. Since incorporation, Autonomy has had no serious issues and retains a very low accident rate – less than one recorded accident per 100 employees annually. Health and safety issues are communicated to employees through various media including the intranet and email. As part of our induction process, employees are introduced to health and safety information relevant to the office in which they work and policies applicable across all sites.

The Environment

It is the company's policy to ensure, by encouraging environmental best practice in the business, that our operations have as little environmental impact as is consistent with our business needs. The effect on the environment of our activities is monitored, where appropriate, with regard to the low overall environmental impact of our primary activities as a software publisher. As a developer of software the company has no manufacturing facilities and our premises are composed exclusively of offices. Staff make use of computers to generate intellectual property. This involves neither hazardous substances nor complex waste emissions. The vast majority of the company's sales comprise software that is normally delivered electronically to customers. Outmoded office equipment and computers are resold or recycled to the extent practicable.

The company recognises the increasing importance of environmental issues and these are discussed at Board level when appropriate. A number of initiatives continued in 2010. An environmental action plan is implemented at group and departmental level through various initiatives. These include monitoring resource consumption and waste creation so that when targets are set for improvement they are realistic and meaningful, ensuring existing controls continue to operate satisfactorily and working with suppliers to improve environmental management along the supply chain. The company has recycling facilities in all of our primary offices, and waste paper is minimised by promoting paperless processes and downloadable software products. We have also operated a carbon neutral air cooling system during the hottest months of the year at our headquarters in Cambridge. Renewable energy sources are also being investigated. The provision of cycle sheds, showers and changing facilities at the company's Cambridge, San Francisco, Pleasanton, Munich and Dallas offices facilitate greener commuting, and the extensive provision of telephone and video conferencing equipment offer an alternative to international travel, where appropriate. The company's environmental policy is published on our website. In terms of products, certain technical innovations during 2009 lead to the reduction in power consumption in the server architecture we make available to customers by over 85%.

As noted above, the company monitors key consumption indicators, most effectively at our headquarters in Cambridge, UK where we have the largest number of employees. The following chart sets forth comparative consumption for the past three years based on such monitoring, measured versus the company's revenues during those periods:

Tons CO2 per $m Revenue	2010	2009	2008
Gas	0.10	0.13	0.25
Landfill..	0.11	0.12	0.20
Energy use.......................................	0.73	0.77	0.81
Supplied water (m3)..........................	3.50	3.20	6.97

The only material increase in these metrics in 2010 related to the use of supplied water at headquarters. This arose primarily due to the installation of a canteen for employees in the building. Prior to the new canteen all employees needed to travel for lunches, and all food for business meetings was supplied from offset. We believe that on balance the on-site canteen has reduced the company's environmental impact, in addition to providing a nice place for employees to relax and have lunch with their colleagues.

Ethical Business Practices

Autonomy is a software development and sales company based in the UK with overseas sales and development operations. Autonomy does not have manufacturing operations. All employees are expected to behave ethically when working for the company and this is reflected in our policies which are detailed in the staff handbook.

Charitable Giving

The company maintains a number of charitable giving policies. Our core philanthropic foundation under the corporate commitment programme is education. The company also budgets annually for specific charitable requests from individual staff members, in areas where we have an opportunity to make a significant and measurable impact in the non-profit sector. The company's matching gift programme matches employee donations to non-profit organisations meeting the company's requirements for charitable donations. Finally, the company permits employees to volunteer a certain number of hours of paid time per year to the charity of their choice provided that the charitable organisation meets the company's general requirements for charitable donations.

The company actively encourages every employee to work together to meet the requirements of all of the above policies.

By order of the Board,

Andrew M. Kanter
Company Secretary
22 February 2011

Directors and Senior Management

Autonomy is led by a highly experienced management team. They bring together extensive expertise covering multiple facets of information technology, its constituent sectors and markets. Biographical details of the directors and senior management are as follows:


Robert Webb
Chairman

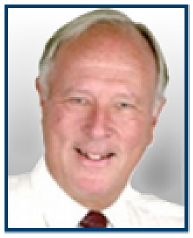

Michael Lynch
CEO


Sushovan Hussain
CFO


Jonathan Bloomer
Non-Executive


Richard Gaunt
Non-Executive


Frank Kelly
Non-Executive


John McMonigall
Non-Executive

Board of Directors

Robert S. Webb QC (Queen's Counsel), Chairman of the Board, aged 62, was appointed Non-Executive Chairman of the Board in May 2009. From 1998 until March 2009, Mr. Webb served as General Counsel at British Airways with responsibility for Safety, Security, Government and Industry Affairs, Risk Management and Health Services, in addition to Legal and Regulatory functions. Mr. Webb was called to The Bar of Inner Temple in 1971, made Queen's Counsel in 1988 and a Bencher in 1997. He was Head of Chambers at 5 Bell Yard from 1988 to 1998 and a Recorder of the Crown Court from 1993 to 1998. He currently serves as a non-executive director of the London Stock Exchange; the BBC (where he acts as Chairman of BBC Worldwide); Hakluyt, a business intelligence company; and Argent, a property company; as well as Non-Executive Chairman of Sciemus, a private start up insurance data provision company. He was educated at Wycliffe College and holds an LLB from Exeter University.

Dr. Michael Lynch OBE FREng, Managing Director and Chief Executive Officer, aged 45, co-founded Autonomy and has served as Managing Director and Chief Executive Officer since our inception in March 1996. Dr. Lynch is also a non-executive director of the BBC, blinkx Plc and Featurespace Limited, and a trustee of the U.K.'s National Endowment for Science, Technology and the Arts. Dr. Lynch holds an M.A. in electrical and information sciences, a Ph.D in adaptive techniques in signal processing and connectionist models and held a research fellowship in adaptive pattern recognition at Cambridge University. Dr. Lynch was named the Confederation of British Industry's Entrepreneur of the Year, won an IEE Award for Outstanding Achievement and was awarded an OBE for Services to Enterprise. Dr. Lynch is also a Lady Margaret Beaufort Fellow of Christ's College, Cambridge, and the author of a number of academic papers on the subject of Pattern Recognition and Signal Processing. Dr. Lynch was appointed to the Board when Autonomy was founded in 1996.

Sushovan Hussain, Board Director and Chief Financial Officer, aged 46, has served as Chief Financial Officer since June 2001 and was appointed a Director in June 2003. Prior to joining Autonomy, Mr. Hussain worked for LASMO plc, one of the world's largest independent oil and gas exploration companies, where he held a number of senior international financial positions, including three years in the Corporate Development department, charged with acquisitions and divestments. Mr. Hussain is also a non-executive director of Monitise Plc. Mr. Hussain received his BA in Economics from Cambridge University, England, and became a qualified Chartered Accountant while employed at Ernst & Young in London.

Jonathan Bloomer, Board Director, aged 56, has served as a non-executive director of Autonomy since August 2010. Mr. Bloomer has been a partner with Cerberus European Capital Advisors, LLP since 2005. He was previously Group Chief Executive of Prudential plc from March 2000 until May 2005, and Group Finance Director from January 1995. Prior to this he was a senior partner in Arthur Andersen's financial markets division based in London and the managing partner of their European Insurance Practice. Mr. Bloomer's other current engagements include: Chief Executive of Lucida plc; Chairman of Scottish Re; Non-Executive Director of Hargreaves Lansdown plc; and Chairman of the Advisory Panel of the Financial Institutions Faculty of the Institute of Chartered Accountants in England and Wales (ICAEW). He is a Trustee and Treasurer of the National Society for the Prevention of Cruelty to Children. Mr. Bloomer previously was a member of the Financial Services Practitioner Panel of the Financial Services Authority from 2000 to 2006 (Chairman Nov 2003 - Oct 2005). He was a Member of the Board of the Geneva Association from 2001 to 2005 and a member of the Board of the Association of British Insurers from 2000 to 2005. He was also a member of the Urgent Issues Task Force of the Accounting Standards Board from 1995 to 1999. He has a B.Sc. from Imperial College.

Richard Gaunt, Board Director, aged 43, co-founded Autonomy and has served as an executive and non-executive director at times since our inception in March 1996. Mr. Gaunt holds a BSc in electronic engineering and an MSc from the University of Natal in Durban. Mr. Gaunt was appointed to the Board when Autonomy was founded in 1996, and has served only as a non-executive director since 2006.

Directors and Senior Management

Dr. Frank Kelly FRS, Board Director, aged 60, has served as a non-executive director of Autonomy since May 2010. Dr. Kelly is Professor of the Mathematics of Systems in the Statistical Laboratory, University of Cambridge, and Master of Christ's College, Cambridge. His main research interests are in random processes, networks and optimization. Professor Kelly is the author of scores of leading mathematics publications. He was elected a Fellow of the Royal Society in 1989. Professor Kelly served as Chief Scientific Adviser to the U.K.'s Department for Transport from 2003 to 2006. He currently serves as a Member of Cambridge University's Council and its Remuneration Committee. Professor Kelly has received numerous honours, including: Guy Medal in Silver of the Royal Statistical Society (1989); Lanchester Prize of the Institute for Operations Research and the Management Sciences (1991); Naylor Prize of the London Mathematical Society (1997); Honorary Doctorate of Science, Heriot-Watt University (2001); IEEE Koji Kobayashi Computers and Communications Award (2005); John von Neumann Theory Prize of INFORMS (2008); SIGMETRICS Achievement Award (2010); and the Gold Medal of the Association of European Operational Research Societies (2010). Professor Kelly is a trustee of RAND Europe, whose mission is to help improve policy and decision-making through research and analysis, and a non-executive director of RAND Europe Cambridge Limited. Professor Kelly holds a B.Sc. from Durham University (1971), and a Ph.D. from Cambridge University (1976).

John McMonigall, Board Director, aged 67, has served as a non-executive director of Autonomy since July 1998. From April 1990 until April 2010 Mr. McMonigall was a partner with Apax Partners Worldwide LLP, the private equity firm, where he specialized in telecommunications, software and related fields. From 1986 to 1990, Mr. McMonigall held a variety of positions at British Telecom where he served as a member of the Management Board. He currently serves on the Board of Dialog Semiconductor Plc. Mr. McMonigall also serves on the Boards of several privately owned companies as a non-executive director.

Executive Management

Andrew Kanter, Chief Operating Officer and General Counsel, aged 41, joined Autonomy in August 2000 as VP, International Operations and Legal Affairs, and has served as our COO since 2001. Prior to joining Autonomy, through 2000 Mr. Kanter was an associate attorney with Brobeck Hale and Dorr in London, engaged in international mergers and acquisitions and corporate finance. Through 1999, Mr. Kanter was an associate attorney at Brobeck, Phleger & Harrison in San Francisco, and prior to that was an associate attorney with Shearman & Sterling, San Francisco. Mr. Kanter was Clerk to Hon. Christine Miller of the U.S. Court of Federal Claims, Washington, DC. Mr. Kanter holds a J.D. from the University of Southern California and a B.A. from Johns Hopkins University, and also studied at Kansai University of Foreign Studies, Osaka, Japan.

Nicole Eagan, Chief Marketing Officer, aged 46, joined the Autonomy group as Chief Marketing Officer in January 2006. Prior to working for Autonomy Ms. Eagan served Verity as a Senior Vice President of Marketing and Chief Marketing Officer from June 2005. Before joining Verity, Ms. Eagan was Vice President, Global Marketing at Quest Software, an application, database and Windows management company from 2004 to 2005. Prior to Quest, Ms. Eagan was the Senior Vice President of Global Marketing at Peregrine from 2001 to 2004. Ms. Eagan also held senior marketing, strategy and business development positions at Extricity, a business process management company and Oracle Corporation. Ms. Eagan holds a B.S. from Montclair University, N.J.

Stouffer Egan, CEO Autonomy, Inc., aged 42, joined Autonomy in March 2001 as Director of Global Accounts. He has served as our Chief Executive Officer, Autonomy, Inc., since 2002. Prior to joining Autonomy, from February 2000 through to March 2001, Mr. Egan was Vice President of Corporate Development for LeadingSide Inc. From January 1995 through February 2000, Mr. Egan held various positions with Dataware Technologies, most recently as VP, Corporate Development. Mr. Egan holds a B.A. in Economics from Trinity College, CT.

Eloy Avila, Chief Technology Officer, aged 31, joined Autonomy in January of 2004 and has been a part of the technology team since, most recently holding the role of US CTO. Prior to joining Autonomy, Mr. Avila did research and worked on building ultra-efficient electric vehicles. Mr. Avila holds a B.S. in Electrical Engineering from Stanford University, CA.

Dr. Peter Menell, D.Phil. Oxon, Chief Research Officer, aged 44, joined Autonomy's Engineering and Technology Solutions unit in 1998 and has served in senior technology roles since 2004, including as Chief Technology Officer and Chief Research Officer. During that time he has overseen a number of significant advances in Autonomy technology, including key new patents filed, and been responsible for the successful deployment of Autonomy software at multi-divisional organisations across the globe. Prior to joining Autonomy, Dr. Menell conducted computational and neuro-physiology research. Dr. Menell holds a B.A. (Hons) and M.Sc. from York University and a D.Phil. from Magdalen College Oxford.

Directors' Report

The directors present their report and the audited accounts for the year ended 31 December 2010 as set out on pages 45 to 85. The Corporate Governance Report on pages 28 to 34 forms part of this report.

Principal Activity

The group's business activities for the year are set out in the Business Overview and the Financial Review on pages 8 to 20. The principal subsidiaries which affected our profit or net assets in the year are listed on page 86.

Business Review

The company is required by the Companies Act 2006 to set out in this report a fair review of the business of the group during 2010 and the position of the group at the end of the year. This review is contained in the Business Overview section of the Annual Report and Accounts (pages 8 to 13), with further commentary on the group's strategy, performance and development in the Chairman's Statement (pages 2 and 3) and the Chief Executive's Statement (pages 4 to 7). The Financial Review includes a description of the principal risks and uncertainties facing the group (page 18) and a discussion of key performance measures (page 20). In addition, note 31 to the financial statements includes the group's objectives, policies and processes for managing its capital and risk management, along with details of exposures to credit risk and liquidity risk. Full results of the group are set out beginning on page 45. Post-balance sheet events are shown in note 33.

Research and Development

The group remains firmly committed to research and development to maintain its position as a market leader. During the year the group expensed \$114.8 million related to research and development (2009: \$98.8 million), an increase of 16%. In addition, the group capitalised \$38.5 million (2009: \$24.7 million) of qualifying research and development expenditure as required in accordance with IAS 38.

Dividends

The Board reviews uses of cash resources on an ongoing basis. In light of the company's continued need for cash for potential trade investments (for example, the Interwoven acquisition in March 2009) and expected significant investment in further research and development, the company to date has not paid or declared dividends, in common with most of its peer companies in the high technology sector. The policy will be kept under continual review. Accordingly the directors do not recommend the payment of a dividend (2009: £nil).

Authority to Purchase Own Shares

At the last Annual General Meeting, shareholders authorized market purchases by the company of up to 24,087,628 ordinary shares representing approximately 10% of its issued share capital at that time. The authority will expire at the end of the next Annual General Meeting of the company unless renewed at that meeting. During 2010 the company did not conduct any share repurchases. In total throughout its history the company has purchased for cancellation 20,997,824 shares, representing approximately 8.66% of the company's total issued share capital at 31 December 2010, at an average price of £1.65 per share, for aggregate consideration of £34.5 million. As of 31 December 2010, the company had remaining authorization to repurchase 24,087,628 of the company's ordinary shares. Any repurchase program during 2011 will depend on market conditions.

Financial Instruments

The directors' objectives in relation to the use of financial instruments are to minimize risk whilst achieving maximum return on liquid assets. The directors are averse to principal loss and manage the safety and preservation of the company's invested funds by limiting default and market risks by investing with high rated financial institutions. The company's investment portfolio is comprised almost entirely of cash and cash equivalents with AAA-rated institutions. All short-term investments have a fixed interest rate. The company does not use derivative financial instruments.

The group historically has not faced material exposure to price risk, credit risk, liquidity risk or cash flow risk, outside of the ordinary course of business. The company is marginally exposed to interest rate risk through the company's bank loan and on its cash and cash equivalents.

The company has one quoted investment (blinkx Plc) and a very small number of small, minority private interests, which do not comprise a material portion of the company's balance sheet.

Further information about the company's financial assets and liabilities is provided in the notes to the financial statements.

Directors and Their Interests

The current directors of the company and their biographical details are on pages 24 and 25. A statement of their interests in the ordinary share capital of the company, details of share options and details of service contracts are set forth in the Remuneration Committee report beginning on page 35. No director had a material interest in any significant contract, other than a service contract or contract for services, with the company or any of its subsidiaries at any time during the year.

Re-election of Directors

Whilst the company's Articles of Association require at least one third of the directors to be subject to re-election at each Annual General Meeting, the new UK Corporate Governance Code requires all directors of companies who form part of the FTSE350 be subject to re-election at each Annual General Meeting, which the company has adopted this year. As a result the company intends to propose all of its directors for re-election (or election for the first time) at this and future Annual General Meetings. Mr. Bloomer and Professor Kelly were appointed as directors subsequent to the notice of the last Annual General Meeting, and are thus standing for election for the first time. Each individual's performance continues to be exemplary and they demonstrate commitment to and, in the case of the non-executives independence in, their roles.

Substantial Shareholdings

As at 21 February 2011, the company had been notified, in accordance with Sections 198 to 208 of the Companies Act 2006, of the following interests in the ordinary share capital of the company by persons other than the directors of the company:

	Ordinary Shares(1)	
Janus Capital Management, LLC	12,253,715	5.05%
BlackRock, Inc.	12,116,686	4.99%
OppenheimerFunds, Inc.	12,115,606	4.99%
TIAA-CREF and Teachers Advisors.	12,014,829	4.95%
FMR LLC..	11,957,373	4.93%
Capital Group International, Inc.	7,219,196	2.97%

(1) Based on 242,711,358 shares outstanding as of 21 February 2011

Directors' Report

Supplier Payment Policy
The company's policy is to settle payment terms with all suppliers when agreeing a transaction, to ensure that suppliers are aware of the terms and to abide by such terms. Generally the company pays suppliers at the end of the month following that in which the supplier's invoice is received. Creditor days outstanding as at 31 December 2010 calculated in accordance with Schedule 7 Companies Act 2006 for the company was 27 days (2009: 34 days) and for the principal U.K. subsidiary was 42 days (2009: 66 days).

Employees
Matters relating to the company's employees are discussed on page 22.

Corporate, Social and Environmental Matters
Matters relating to corporate, social and environmental matters are discussed beginning on page 21.

Charitable and Political Contributions
The company's charitable policies are discussed on page 23. The group made $92,000 in charitable donations during 2010 to a variety of charities including the Prince's Trust and the University of Calgary (2009: $110,000). The group did not make any political contributions during 2010 (2009: $nil).

Going Concern
The group has considerable financial resources together with a significant number of customers across different geographic areas and industries. At 31 December 2010 the group had cash balances of $1.1 billion and total debt of $827 million (assuming no conversion of the convertible loan note). The group has no net debt. As a consequence, the directors believe that the group is well placed to manage business risks successfully despite the current uncertain economic outlook.

After making enquiries and considering the cash flow forecasts of the group and the group's trading prospects the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the twelve month consolidated financial statements.

Capital Structure
The structure of the company's capital consists solely of ordinary shares, nominal value 1/3p per share, and convertible bonds. There are no restrictions imposed by the company on the transfer of securities in the company or limitations on the holding of securities or requirements to obtain approval for a transfer of securities. The Substantial Shareholdings table above sets forth such details as are informed to the company of the identity of persons holding a significant direct or indirect interest, and the holdings size. The company has no information with regards to the holdings to believe such holdings are for any reason other than ordinary financial investment purposes.

The company has an Employee Benefit Trust which holds approximately 389,700 ordinary shares of the company and approximately 496,800 ordinary shares of blinkx Plc. All rights with respect to such shares are exercised by the independent trustee of the trust.

There are no restrictions on voting rights on the company's ordinary shares, including any limitations on voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or arrangements by which with the company's co-operation financial rights carried by securities are held by a person other than the holder of the securities. The company is not aware of any agreements between holders of securities which may result in restrictions on the transfer of securities or voting rights. The company does not have any rules regarding the appointment and replacement of directors and amendment of the Articles of Association other than those set forth in the Articles of Association. The powers of the directors are as set forth in the company's Articles of Association and as permitted by shareholders pursuant to the company's Annual General Meeting. The company is not party to any material agreements that take effect, alter or terminate upon a change of control following a takeover bid, or any agreements between the company and its directors or employees providing for compensation or loss of office or employment that occur directly because of a takeover bid.

Indemnity Provisions
At the company's Annual General Meeting in May 2006 shareholders approved an amendment to the company's Articles of Association providing for indemnification of directors, which remains in force. A copy of the company's Memorandum and Articles of Association are available for inspection at the company's office and from Companies House. No qualifying third party indemnity provisions or any qualifying pension scheme indemnity provisions are in force as of the date of this report or were in force during the year ended 31 December 2010.

Annual General Meeting
The Annual General Meeting will be held at the company's offices in Cambridge, UK, on 24 March 2011, at 4:00 p.m. The company will convey the results of proxy votes cast at the meeting, and the results will be announced through the regulatory news services. Notice of the Annual General Meeting is set out in the circular to shareholders accompanying this annual report. The company is committed to the policy of one share one vote. Deloitte LLP, the company's independent auditor, have expressed their willingness to continue in office as auditor. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Audit
Each of the persons who were a director at the date of approval of this annual report confirms that:

- so far as he is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he has taken all reasonable steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

On behalf of the Board,

Dr. Michael R. Lynch
Chief Executive Officer and Co-Founder
22 February 2011

Registered Office: Cambridge Business Park, Cowley Road, Cambridge CB4 0WZ

Registered Number: 3175909

The Autonomy Board is committed to high standards of corporate governance, which it considers are critical to business integrity and to maintaining investors' trust in the company. Autonomy expects all its directors and employees to act with honesty, integrity and fairness. The company will strive to act in accordance with the laws and customs of the countries in which it operates; adopt proper standards of business practice and procedure; operate with integrity; and observe and respect the culture of every country in which it does business.

Compliance With the Combined Code

The company's ordinary shares are listed in the UK on the London Stock Exchange. In accordance with the Listing Rules of the UK Listing Authority, the company confirms that throughout the year ended 31 December 2010, and through to the date of this document, it was compliant with the provisions of, and applied the principles of, Section 1 of the Combined Code (2008). The following section, together with the Remuneration Report on pages 35 to 41, provides details of how the company applies the principles and complies with the provisions of the Combined Code.

Board Organisation and Structure

The Role of the Board

The Board is responsible for the overall conduct of the group's business and has the powers, authorities and duties vested in it by and pursuant to the relevant laws of England and Wales and the Articles of Association. The Board is:

- responsible for the management, direction and performance of the group and its businesses;
- required to exercise objective judgement on all corporate matters independent from executive management;
- accountable to shareholders for the proper conduct of business; and
- responsible for ensuring the effectiveness of and reporting on the group's system of corporate governance.

Schedule of Matters

The Board has a formal schedule of matters reserved to it for its decision and these include:

- approval of financial statements;
- dividends;
- board appointments and removals;
- long term objectives and commercial strategy;
- changes in capital structure;
- appointment, removal and compensation of senior management;
- major investments including mergers and acquisitions;
- risk management;
- corporate governance;
- engagement of professional advisors;
- political donations; and
- internal control arrangements.

The schedule is reviewed periodically. It was last formally reviewed by the Board in February 2011, at which time it was determined that no material amendments were required. Other specific responsibilities are delegated to Board committees. Details of the responsibilities delegated to the Board Committees are given on pages 31 and 32.

The ultimate responsibility for reviewing and approving the annual report and financial statements, and for ensuring that they present a balanced assessment of the company's position, lies with the Board.

Board Meetings

The Board meets at least once a quarter, and the meetings are structured to allow open discussion. All directors participate in discussing the strategy, trading, financial performance and all other matters relating to the company. Prior to each meeting, the Board is furnished with information in concerning the state of the business and its performance in a form and of a quality appropriate for it to discharge its duties. The Board delegates day-to-day responsibility for managing the company to the executives.

The following table shows the number of years current serving directors have been on the Board as at 21 February 2011 and their attendance at scheduled Board meetings they were eligible to attend during 2010:

	Years on Board	Attended / Meetings
Robert Webb, Chairman	1	4/4
Jonathan Bloomer(1)	—	2/2
Richard Gaunt(2)	5	4/4
Sushovan Hussain	7	4/4
Frank Kelly(3)	—	3/3
Dr. Michael Lynch	15	4/4
John McMonigall	12	4/4

(1) Commenced 1 August 2010.
(2) Mr. Gaunt commenced service as a non-executive director in 2006 following service as an executive director from the company's founding.
(3) Commenced 1 May 2010.

Corporate Governance Report

In addition to regular Board meetings, there are a number of other meetings to deal with specific matters. Directors unable to attend a Board meeting because of another engagement are nevertheless provided with all the papers and information relevant for such meetings and are able to discuss issues arising in the meeting with the Chairman or the Chief Executive.

Division of Responsibilities

The roles of the Chairman and Chief Executive are separate and there is a division of responsibilities that is established in writing.

Chairman. Robert Webb, as Chairman of the Board, is responsible for:

- leadership of the Board and creating the conditions for overall board and individual director effectiveness and a constructive relationship with good communications between the executive and non-executive directors, taking into account the issues relevant to the company and the concerns of all Board members;
- ensuring, with the Chief Executive and the company Secretary, the provision of accurate, timely and clear information to the Board;
- ensuring that the Board as a whole plays a full and constructive part in the development of strategy and overall commercial objectives;
- managing the Board, ensuring that sufficient time is allowed for the discussion of complex or contentious issues;
- ensuring that there is effective communication with shareholders and that members of the Board develop an understanding of the views of the major investors in the company;
- chairing the Nominations Committee which initiates succession planning to retain and build an effective and complementary board;
- taking the lead in identifying and meeting the development needs of individual Directors and the Board as a whole, with a view to enhancing the overall effectiveness of the team;
- promoting the highest standards of integrity, probity and corporate governance throughout the company, particularly at board level;
- ensuring, with the Chief Executive and the Company Secretary, that new Directors receive a comprehensive induction programme to ensure their early contribution to the Board; and
- ensuring that the performance of the Board as a whole, its committees, and individual directors is formally and rigorously evaluated at least once a year.

During 2010, the Chairman again travelled to a number of the company's offices around the world to meet with staff to discuss the company's business, vision and strategy.

The Board is of the opinion that Mr. Webb's significant and in-depth knowledge and experience of the company's business, combined with his external business experience, enables him to provide effective leadership of the Board and to continue to make a significant, positive contribution to the company's ongoing business.

The Chairman's other significant business commitments, which remain relatively unchanged from last year, are described in his biography on page 24 The Board performance evaluation process referred to elsewhere confirmed that the other Board members are satisfied that Mr. Webb has the necessary time available to devote to the proper performance of his duties as Chairman.

Chief Executive. Dr. Michael Lynch, as Chief Executive, is responsible for:

- running the day-to-day business of the company, within the authorities delegated to him by the Board;
- ensuring implementation across the company of the policies and strategy set by the Board for the company;
- day-to-day management of the executive and senior management team;
- proposing and developing the company's strategy and overall commercial objectives in conjunction with the executives, including identifying and assessing opportunities for the growth of its business and reviewing the performance of existing businesses;
- leading the development of senior management within the company with the aim of assisting the training and development of suitable individuals for future management roles;
- ensuring that the Chairman is kept appraised in a timely manner of the issues facing the company and of any important events and developments;
- leading the communication programme with shareholders and analysts; and
- fostering good relationships with key stakeholders.

The Board is of the opinion that Dr. Lynch's significant and in-depth knowledge and experience of the company's business, technology, industry and target markets enables him to provide effective leadership of the company's operations and to continue to make a significant, positive contribution to the company's ongoing business.

Dr. Lynch's other significant business commitments, which remain relatively unchanged from last year, are described in his biography on page 24 The Board performance evaluation process referred to elsewhere confirmed that the other Board members are satisfied that Dr. Lynch has the necessary time available to devote to the proper performance of his duties as Chief Executive.

Non-Executive Directors. The non-executive directors of the Board have diverse business, financial and technical experience, details of which are summarised on pages 24 and 25 and they each play a full role in the consideration of matters brought before the Board. This includes:

- considering, approving and monitoring performance against strategic objectives through detailed reviews conducted at Board level;
- providing entrepreneurial leadership within a framework of prudent and effective controls, which enable risks to be assessed and managed; and
- setting the company's values and standards and ensuring that its obligations to its shareholders and other stakeholders are understood and met.

Non-executive directors are expected to constructively challenge and contribute to the development of strategy, scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

The Board regularly reviews strategy as part of its normal business. This includes holding at least one offsite meeting each year, the agendas for which cover a broad range of financial, commercial and technical aspects concerning the strategic objectives for the company. These meetings are held with different members of the management team attending, depending on the topics for discussion.

Individual non-executive directors provide specific support and advice on discrete issues being considered by the company, according to their particular skills and experience.

Board Composition, Balance and Independence

The Board comprises seven Directors including the Chairman, five of whom served throughout all of 2010 and two of whom joined during the year. Also during the year two Directors retired after more than nine years of service. In addition to the Chairman, there are four non-executive directors, and two executive directors.

The names and biographical details of the current directors are set out on pages 24 and 25. The terms and conditions of employment of all Directors are available for inspection at any time at the registered office.

As noted above and as committed to in the 2010 Annual Report, two new board candidates were identified and appointed during the year. The Board expects to announce an additional appointment during 2011.

The Board has been established in order to give a balance of knowledge, experience and objective overview. The Board is structured to ensure that there is no undue dominance by the executive directors, with controls over compensation and all other material matters reserved for the Board rather than individual executives, as discussed herein. The Board is satisfied that the appropriate balance has been consistently achieved.

The four non-executive directors and Chairman provide a blend of experience to enable them to bring strong independent judgement and considerable knowledge and experience to the Board's deliberations. The Chief Executive Officer and the Chief Financial Officer sit as executive directors to provide the necessary skills in commercial, operational and financial management. Mr. McMonigall is the senior independent non-executive director.

The Board considers all of its present non-executive directors to be fully independent and free from any material business or other relationships that could materially interfere with the exercise of their independent judgement, with the exception of Mr. Gaunt who served as an executive director through to the end of 2005. Mr. McMonigall's service to the Board has been extraordinary since the company's founding and his continued service is of high benefit notwithstanding his tenure of over nine years.

There are no cross-directorships or significant links between directors serving on the Board through involvement in other companies or bodies. The sole limited exception to the foregoing is that both Dr. Lynch and Mr. Webb serve as non-executive directors of the BBC. The Board has considered this relationship and determined that there is no impairment of the independence of either individual, noting that the position is a non-commercial role, the large size of the BBC board and that neither individual can of their own accord directly influence compensation for the other in any situation.

Under the laws of England and Wales, the executive and non-executive directors are equal members of the Board and have overall collective responsibility for the direction of the company. In particular, non-executive directors are responsible for:

- bringing a wide range of skills and experience to the group, including independent judgement on issues of strategy, performance, financial controls and systems of risk management;
- constructively challenging the strategy proposed by the Chief Executive and executive directors;
- scrutinising and challenging performance across the group's business;
- assessing risk and the integrity of the financial information and controls of the group; and
- ensuring appropriate remuneration and succession planning arrangements are in place in relation to executive directors and other senior executive roles.

To address the effects of s175 of the Companies Act 2006 (directors' conflicts of interests) which came into force on 1 October 2010, the company's Articles of Association were amended to enable the Board to authorise situations that may give rise to Directors' conflicts of interest. During 2010 each Director was asked to identify any situations where their own interests might conflict with the interests of the company. During 2010 no conflicts arose which would require the Board to exercise authority or discretion in relation to such conflicts. The Directors have an ongoing duty to notify the Board of any potential conflicts and a formal review by the Board will be undertaken annually.

Company Secretary

All directors have access to the advice and services of the company Secretary, who is responsible to the Board for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary ensures that the directors take independent professional advice as required. Committees are provided with sufficient financial and informational resources to undertake their duties.

Board Effectiveness

Appointments to the Board

There is a formal procedure for the appointment of new directors to the Board. This is described in the section on the Nominations Committee. Jonathan Bloomer was referred to the Directors by external sources, and was considered a strong candidate based on his accounting background and extensive experience in one of the company's key markets. Professor Kelly was identified as a potential candidate by internal sources, and brings to the Board key mathematical and technology insight. Each were recommended by the Nominations Committee to the full Board solely based on their merit, which then confirmed each of their appointments.

Information and Professional Development

From time to time, the Board considers input from non-Board members on matters of significance or on new opportunities for the group. Financial plans including results and market forecasts are regularly discussed at Board meetings. Non-executive directors periodically visit different parts of the group and are provided with briefings and information to assist them in performing their duties.

The Chairman is responsible for ensuring that induction and training programmes are provided and the Company Secretary is to organise the programmes. Individual directors are also expected to take responsibility for identifying their training needs and to take steps to ensure that they are adequately informed about the company and their responsibilities as a director. The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company.

On appointment, individual directors are expected to undergo an induction programme in accordance with the recommendations of the Combined Code, covering, amongst other things:

- the business of the group;
- their legal and regulatory responsibilities as directors of the company;
- briefings and presentations from relevant executives; and
- opportunities to visit business operations.

Corporate Governance Report

The induction programme for new directors is tailored to their specific requirements, the aim of which is to introduce them to key executives across the business and to enhance their knowledge and understanding of the company and its activities. If appropriate, the induction will also include briefings on the scope of committees, meetings with the external auditor and other areas the Company Secretary deems fit, considering the director's area of responsibility. The Company Secretary provides updates on legal, accounting and regulatory changes and developments relevant to individual director's areas of responsibility. Throughout their period in office, the directors are continually updated on the group's businesses. During 2010, a number of directors received training from external lawyers on a number of matters including corporate governance.

Performance Evaluation

The members of the Board evaluate the performance of the Board, its committees and individual members at meetings, each year with the aim of improving individual contributions, the effectiveness of the Board and its committees and the group's performance. The Chairman leads the evaluation, taking into account the views of executive directors.

The evaluation is designed to determine whether the Board continues to be capable of providing the high level judgement required and whether, as a Board, the directors are informed and up to date with the business and its goals and understand the context within which it operates. The current evaluation is also to include a review of the administration of the Board covering the operation of the Board, its agenda and the reports and information produced for the Board's consideration. The Board will continue to review its procedures, its effectiveness and development in the year ahead.

The evaluation undertaken in 2010 was conducted internally, led by the Chairman, and covered topics such as:

- strategic development;
- risk management and control;
- succession planning;
- shareholder and stakeholder communication;
- board structure, committees, operations and effectiveness;
- board committee processes; and
- induction, development and evaluation.

The Chairman met with each member of the Board. The review ultimately found the performance of each director to be effective and concluded that the Board provides the effective leadership and control required for a listed company. The review also found that the Board works well and operates effectively in an environment where there is constructive challenge from the non-executive directors. Each director was also satisfied with the contribution made by their colleagues and that board committees operate properly and efficiently. Various recommendations resulted from the evaluation which have been discussed by the Board and will be acted upon in 2011, as appropriate.

Re-election of Directors

Whilst the company's Articles of Association require at least one third of the directors to be subject to re-election at each Annual General Meeting, the incoming Corporate Code requires all directors of companies who form part of the FTSE350 be subject to re-election at each Annual General Meeting. As a result the company intends to propose all of its directors for re-election (or election for the first time) at this and future Annual General Meetings.

Independent Advice

The Board recognises that there may be occasions when one or more of the directors feel it is necessary to take independent legal and/or financial advice at the company's expense. There is an agreed procedure to enable them to do so.

Indemnification of Directors

In accordance with the company's Articles of Association and to the extent permitted by the laws of England and Wales, directors are granted an indemnity from the company in respect of liabilities incurred as a result of their office. In respect of those matters for which the directors may not be indemnified, the company maintained a directors' and officers' liability insurance policy throughout the year. Neither the company's indemnity nor the insurance provides cover in the event that the director is proven to have acted dishonestly or fraudulently.

Board Committees

The Board has established an Audit Committee, a Remuneration Committee and a Nominations Committee to deal with specific aspects of the company's affairs. The Board is satisfied that the terms of reference for each of these committees satisfy the requirements of the Combined Code. The terms of reference for all Board committees can be found on the company's website at www.autonomy.com or a copy can be obtained by application to the Company Secretary at the company's registered office.

The committees are provided with all necessary resources to enable them to undertake their duties in an effective manner, at the cost of the company as it deems necessary. This may include the appointment of external consultants where appropriate.

The Company Secretary or his delegate acts as Secretary to the committees. The minutes of committee meetings are available to all directors. No one other than committee chairmen and members are entitled to be present at a meeting of the nomination, audit or remuneration committees, but others may attend at the invitation of the committee.

Audit Committee

The members of the Audit Committee during the year, together with a record of their attendance at scheduled meetings which they were eligible to attend, are set out below:

	Attended / Meetings
Jonathan Bloomer, Chairman (appointed 7 Sept. 2010).....	1/1
Barry Ariko (retired 8 Sept. 2010)......................................	2/2
Frank Kelly (appointed 7 Sept. 2010).................................	1/1
John McMonigall..	4/4
Richard Perle (retired 8 Sept. 2010)..................................	2/2

The Audit Committee is comprised of financially literate members having the necessary ability and experience to understand financial statements. Mr. Bloomer was appointed chairman of the committee after he commenced service in August 2010. Prior to that time each of the other committee members served as the chair at times during 2010.

The committee's terms of reference include, among other things:

- monitoring the scope and results of the external audit;
- the review of interim and annual results;
- the involvement of the external auditor in those processes;
- review of whistle blowing procedures;
- considering compliance with legal requirements;
- accounting standards and the Listing Rules of the Financial Services Authority; and
- advising the Board on the requirement to maintain an effective system of internal controls.

The committee also keeps under review:

- the independence and objectivity of the group's external auditor;
- value for money of the audit; and
- the nature, extent and cost-effectiveness of the non-audit services provided by the auditor.

The committee has authority over the appointment, remuneration and resignation or dismissal of the company's auditor.

The committee meets at least four times a year, and always prior to the announcement of interim or annual results. The external auditor and Chief Financial Officer attend all meetings in order to ensure that all the information required by the committee is available for it to operate effectively. The entire committee also meets each quarter with the external auditor without any executive directors present.

The committee has discussed with the external auditor their independence, and has received and reviewed written disclosures from the external auditor regarding independence. Non-audit work is generally put out to tender. In most cases, the company engages another independent firm of accountants to perform tax consulting work to avoid the possibility that the auditor's objectivity and independence could be compromised; work is only carried out by the auditor in cases where they are best suited to perform the work, for example, tax compliance. The company does not award general consulting work to the auditor. However, from time to time, the company will engage the auditor on matters relating to acquisition accounting and due diligence. In these circumstances, the Chief Financial Officer seeks approval from the committee.

Nominations Committee

The members of the Nominations Committee during the year, together with a record of their attendance at scheduled meetings which they were eligible to attend, are set out below:

	Attended / Meetings
Richard Perle, Chairman (retired 8 Sept. 2010)	2/2
Robert Webb, Chairman (appointed as chair 7 Sept. 2010)	2/2
Barry Ariko (retired 8 Sept. 2010)	2/2
Jonathan Bloomer (appointed 7 Sept. 2010)	—
Frank Kelly (appointed 7 Sept. 2010)	—
John McMonigall	2/2

The Nominations Committee meets periodically when required. In addition to meetings there are a number of ad hoc meetings to address specific matters.

The Nominations Committee's key objective is to ensure that the Board comprises individuals with the requisite skills, knowledge and experience to ensure that it is effective in discharging its responsibilities. The Nominations Committee:

- makes recommendations to the Board on board composition and balance;
- proposes to the Board new appointments of executive and non-executive directors; and
- identifies and nominates for approval candidates to fill Board vacancies as and when they arise.

Nominations are based on objective criteria taking into account the balance of skills, knowledge and experience on the Board. The committee also reviews the time required from a non-executive director. The committee strives to consider candidates from a wide range of backgrounds, also taking into account what skills and expertise are needed on the Board in the future. In conducting its duties the committee may seek external advice.

On appointment, all Directors are asked to confirm they have sufficient time to devote to their duties which along with their duties and roles are confirmed in their letter of appointment.

In 2010 the committee made two recommendations for Board candidacy. The process adopted in each of Mr. Bloomer and Professor Kelly's appointment was that each were proposed as candidates to the Nominations Committee, which had responsibility to make recommendations on the appointment of new Directors. In accordance with the Nomination Committee's terms of reference, the committee reviewed each candidate against that of other Non-Executive Director candidates, including their ability to devote the appropriate amount of time to the role, and concluded that, given the skill set and experience of each of the then-current Non-Executive Directors, each of Mr. Bloomer and Professor Kelly fulfilled key requirements for the role and recommended their appointment to the Board.

Remuneration Committee

The members of the Remuneration Committee during the year, together with a record of their attendance at scheduled meetings which they were eligible to attend, are set out below:

	Attended / Meetings
Barry Ariko, Chairman (retired 8 Sept. 2010)	3/3
Frank Kelly, Chairman (appointed 7 Sept. 2010)	—
Jonathan Bloomer (appointed 7 Sept. 2010)	—
John McMonigall	3/3
Richard Perle (retired 8 Sept. 2010)	3/3

In addition to scheduled meetings, there are a number of ad hoc meetings to deal with specific matters.

A full description of the responsibility and operation of the remuneration committee is set out in the remuneration report beginning on page 35.

Relations with Shareholders

The company is committed to communicating its strategy and activities clearly to its shareholders and, to that end, maintains an active dialogue with investors through a planned programme of investor relations activities. The Investor Relations programme includes:

- formal presentations of full year and interim results;
- briefing meetings with major institutional shareholders after results, to ensure that the investor community receives a balanced and complete view of the group's performance and the issues faced by the group;
- regular meetings with institutional investors and analysts by the Chief Executive and the Chief Financial Officer to discuss business performance;
- hosting investors and analysts sessions at which senior management deliver presentations which provide an overview of business and operations;
- attendance by senior executives at relevant meetings and conferences throughout the year;
- responding to enquiries from shareholders and analysts through the company's Investor Relations team; and
- a section dedicated to shareholders on the company's website.

Overall responsibility for ensuring that there is effective communication with investors and that the Board understands the views of major shareholders on matters such as governance and strategy rests with the Chairman, who makes himself available to meet shareholders for this purpose. The main channel of communication continues to be through the Chief Executive Officer, the Chief Financial Officer and the VP of Investor Relations.

The senior independent director and other members of the Board are also available to meet major investors on request on relevant topics. The senior independent director has a specific responsibility to be available to shareholders who have concerns, for whom contact with the Chairman, Chief Executive or Chief Financial Officer has either failed to resolve their concerns, or for whom such contact is inappropriate.

There is regular dialogue with institutional shareholders throughout the year other than during closed periods. The Board also encourages communication with private investors and part of the company's website is dedicated to providing accurate and timely information for all investors including answers to common questions, comprehensive information about the business, its partners and products, all press releases and RNS announcements. Shareholders can also access past earnings presentations and audio conference calls through the website. The Board also receives feedback from the company's brokers and financial PR advisers, who obtain feedback from analysts and brokers following investor roadshows. All shareholders may register to receive the company's press releases via the internet.

The principal communication with private investors is via the annual report and through the AGM, an occasion which is attended by relevant available directors and at which all shareholders present are given the opportunity to ask questions. After the AGM, shareholders can meet informally with directors. Investors are also invited to submit questions via the company's website with relevant answers posted on the website for all to read.

A summary presentation of results and development plans is also given at the AGM before the meeting chairman deals with the formal business of the meeting. All substantive resolutions at the company's AGMs are decided on a poll. The poll is conducted by the company's registrars and scrutinised by the company Secretary. The proxy votes cast in relation to all resolutions, including details of votes withheld, are disclosed to those in attendance at the meeting and the results of the poll are published on the company's website and announced via the regulatory news service. Financial and other information is made available on the company's website, www.autonomy.com, which is regularly updated.

Internal Control

The Board is responsible for the company's system of internal control and for reviewing its effectiveness with regard to achieving the company's business objectives and enhancing shareholder value. Such a system is designed to manage the risk of failure, and by its nature can provide only reasonable and not absolute assurance against material misstatement or loss. The system has been in place throughout the year and up to the date of these financial statements. The Board regularly reviews the effectiveness of the company's internal control systems, including financial, operational and compliance controls and risk management, and believes the system is in accordance with the revised Turnbull guidance. These reviews are principally based on reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied or indicate a need for more extensive monitoring. The Board has also performed a specific assessment for purposes of this Annual Report using the standard of care applicable to directors in the exercise of their duties. The directors consider that its internal controls, particularly given the company's size and the nature of the company's business operations, provide reasonable but not absolute assurance against material misstatement or loss.

The main elements of internal control currently include:

- *Operating Controls*. The identification and mitigation of major business risks on a daily basis is the responsibility of the executive directors and senior management. Each business function within the company maintains controls and procedures, as directed by senior management, appropriate to its own business environment while conforming to the company's standards and guidelines. These include procedures and guidelines to identify, evaluate the likelihood and mitigate all types of risks on an ongoing basis.

- *Information and Communication*. The company's operating procedures include a comprehensive system for reporting financial and non-financial information to the directors. Financial projections, including revenue and profit forecasts, are reported on a regular basis to senior management against corresponding figures for previous periods. The central process for evaluating and managing non-financial risks is weekly meetings of business functions, each involving at least one director, together with periodic meetings of executive directors and senior management.

- *Finance Management*. The finance department operates within policies approved by the directors and the Chief Financial Officer. Expenditures are tightly controlled with stringent approvals required based on amount. Duties such as legal, finance, sales and operations are also strictly segregated to minimize risk.

  The company has a comprehensive system for regular monitoring and reporting of financial performance and assessing the adequacy of the system of internal controls. Risk assessment and evaluation is an integral part of the annual planning cycle. This includes assessment of the company's strategic direction, objectives and financial returns and the risks in achieving them.

  Budget and other targets are regularly updated via a rolling forecasting process and regular business review meetings are also held involving senior management worldwide, at which the company's overall

performance is assessed. The results of these reviews are reported to and discussed by the Audit Committee and the Board at each meeting.

A summary of the key financial and non-financial risks inherent in the company's business is given on pages 18 and 19.

- *Insurance*. Insurance cover is provided externally and depends on the scale of the risk in question and the availability of cover in the external market.

- *Business Continuity Planning*. A rolling programme aimed at improving the company's Business Continuity Plan has been maintained for a number of years. The potential significant risks are identified and an action plan implemented to enable the company to respond in the event that such a risk arose. Further reviews and testing are due to take place during 2011.

- *Information Systems.* Information systems are developed to support the company's long-term objectives and are managed by a professionally staffed team. Appropriate policies and procedures are in place covering all significant areas of the business.

- *Contractual Commitments.* There are clearly defined policies and procedures for entering into contractual commitments, including strict limits on who is permitted to commit the company to contracts.

The Board confirms that the actions it considers necessary have been or are being taken to remedy such failings and weaknesses which it has determined to be significant from its review of the system of internal control. This has involved considering the matters reported to it and developing plans and programmes that it considers are reasonable in the circumstances.

Internal Audit

The objectives of the Directors and senior management is to safeguard and increase the value of the business and assets of the company. Part of this objective requires the development of relevant policies and appropriate internal controls to ensure proper management of the company's resources and the identification of risks which might serve to undermine them.

The Board is ultimately responsible for the company's system of internal control and for reviewing its effectiveness. As the company has grown during 2010 the Board has continued to address matters relating to internal control and the present need to establish an internal audit function. In 2009 new senior managers were hired responsible for internal reviews, who conducted their reviews throughout 2010. The company has in the past and continues to maintain extensive internal reporting functions and internal controls and significant executive director involvement in all aspects of the company's business affairs.

The company's management system documents processes and responsibilities across all business functions and operations. As a part of this system, the finance review team carries out a programme of audits to assess its effectiveness and efficiency, resulting in continuous maintenance and improvement of the system, adapting to changes in business operations as necessary.

Any significant control failings identified through any part of the business are brought to the attention of the Audit Committee and the external auditor and undergo a detailed process of evaluation of both the failing and the steps taken to remedy it. No breaches of internal controls were identified during 2010 which would have had a material adverse effect on the company.

Review of Effectiveness

The Board has reviewed the effectiveness of the internal control system, including financial, operational and compliance controls and risk management, in accordance with the Combined Code for 2010 through to the date of this report. No significant failings or weaknesses were identified during this review. However, had there been any such failings or weaknesses, the Board confirms that necessary actions would have been taken to remedy them.

During 2011 the Board expects to conduct a thorough review of the internal control system as part of its regular review of effectiveness of policies and procedures. Key enhancements which are identified through the review will be implemented during the year. Amongst other items the Board expects to broaden the scope of the internal audit programme, appoint an internal audit manager and continue to increase the financial capability within the finance team.

Significant Risks

The company has an ongoing process for identifying, evaluating and managing the significant risks faced by the company that has been in place for 2010 and up to the date of approval of the annual report and financial statements. Principal controls are managed by the executive directors and key employees, including regular review by management and the Board of the operations and the financial statements of the company.

Key Risks

Matters relating to key risks are discussed on pages 18 and 19.

Health and Safety

Although Autonomy operates in an industry and in environments which are considered low risk from a health and safety perspective, the safety of employees, contractors and visitors is a priority in all Autonomy workplaces world-wide. Continual improvement in safety management systems is achieved through risk assessments to identify and eliminate potential hazards and through occupational health assessments for employees. More detail about the company's approach to environmental matters and health and safety are discussed beginning on page 23.

By order of the Board,

Andrew M. Kanter
Company Secretary
22 February 2011

Remuneration Report

Dear Shareholder,

I am pleased to present the report by the Remuneration Committee on directors' remuneration for 2010 and plans for 2011. I joined the Autonomy board this year and have taken the permanent chair of the Remuneration Committee. My tenure follows the retirement of Barry Ariko from the Board, whom we warmly thank for his service.

2009 and 2010 saw a complete review of Autonomy's remuneration policies both at a fundamental level and to ensure compliance with the guidance issued by the FSA and by the ABI, NAPF and RiskMetrics. The review confirmed that the arrangements for the overall structure of remuneration for the executive directors remained broadly appropriate. Remuneration policies for 2010 were set at the outset of 2010 and have now been set for 2011. During 2011 we will continue to review the level and methods of directors' remuneration to ensure it remains competitive and continues to be fit for purpose with a view to any appropriate changes being made for 2012.

Throughout Autonomy's rise over the past decade, compensation policies have limited remuneration to one of the most modest packages in the FTSE 100. Revisions in 2010 were undertaken after extensive dialog with shareholders, which continued into 2010 and now into 2011. As a result, revisions for 2011 are evolutionary rather than revolutionary. The Committee continues to take a cautious position and does not feel it appropriate to change the basic shape of the remuneration framework. It should be noted that Autonomy has very few peers on the London market and therefore remuneration has to compete with American and global software companies, the most likely competition for our talent.

The Remuneration Committee is satisfied that the changes made are appropriate particularly in light of the company's performance and historical pay practices. The Remuneration Committee believes that the remuneration policy detailed in this report will enable Autonomy to recruit the people we need, and retain and motivate those already with us. The Remuneration Committee considers that the individual elements of the remuneration package that apply in 2011 constitute an appropriate balance between fixed and variable compensation.

Salaries have been reviewed and modestly adjusted to bring senior management more in line with market practice, although remain in the bottom quartile significantly below peers. Maximum potential bonus and equity awards have not changed in 2011 from 2010.

In addition to its consideration of current arrangements, the Remuneration Committee continues to monitor how well incentive awards made in previous years align with the company's performance. In this regard, the Committee is confident that there has been and remains a strong link between performance and reward.

The Remuneration Committee has appreciated the dialogue and feedback from investors over the past years and will continue to take an active interest in your views. A resolution to vote for this Directors' Remuneration Report will be put to the Annual General Meeting (AGM) on 24 March 2011. I hope that you will support this resolution.

F. P. Kelly

Frank Kelly
Chairman, Remuneration Committee
22 February 2011

Contents

The detail of this remuneration report is set out over the following sections:

Remuneration Committee Governance

General Governance

The company has complied with the Principles and underlying Provisions relating to Directors' remuneration of the Combined Code and this Remuneration Report has been prepared in accordance with the Large & Medium sized Companies and Groups (Accounts and Report) Regulations 2008. The company takes significant account of guidelines issued by the ABI and other shareholder bodies (such as the NAPF) when setting the remuneration strategy for the company. It also seeks to maintain an active and productive dialogue with investors on developments in the remuneration aspects of corporate governance generally and any changes to the company's executive pay arrangements in particular.

Details of each individual Director's remuneration for 2010 are set out on page 40. Information on Directors' share and share option interests may be found on pages 40 and 41.

The auditor is required to report on the 'auditable' part of this report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 2006 (as amended by the Regulations). The information which has been audited can be viewed on pages 40 and 41. No other parts of this report have been audited.

Responsibilities and Role of the Remuneration Committee

The committee's principal function is to determine the company's policy on Board remuneration and to approve the specific remuneration packages for the Executive Directors, including their service contracts. The committee also has responsibility for making a recommendation to the Board in respect of the remuneration of the Chairman. The committee's remit therefore includes, but is not restricted to,

- basic salary;
- benefits in kind;
- performance related awards;
- share options;
- share awards;
- long-term incentive schemes;
- pension rights;
- any compensation or termination payments; and
- appointing any consultants in respect of executive directors' remuneration.

Terms of Reference

The Committee's terms of reference are available on the company's website or on request.

Meetings and Activities

The Remuneration Committee had three scheduled meetings during the year at which all actions were taken, as well as other ad hoc informal meetings, as shown on page 32.

The main focus of the committee's activity comprises managing the various aspects of the remuneration package of Executive Directors. This package comprises: annual salary; cash bonus; deferred bonus; shares bonus; and other benefits available to all similarly situated employees, including matching pension and healthcare.

The main tasks for the Committee in 2010 were: a comprehensive review of the company's remuneration policies; reviewing and approving the Executive Directors' bonuses for 2009; setting targets and rules for Executive Directors' bonuses for 2010; and deciding on the level of pay increase in the annual salary review.

Composition

The Remuneration Committee is comprised to exercise independent judgement and consists only of independent non-executive directors. The Remuneration Committee is responsible for reviewing and approving general compensation policies and setting compensation levels for executive officers. The committee also administers incentive compensation plans. For further details, a description of the terms of reference can be found on page 35.

External Advisers

During the year, the committee relied on information contained in generally available reports from Deloitte LLP, Towers Perrin and Hewitt. Deloitte LLP also supplied market data, advice on market practice and governance, performance analysis and advice on plan design and performance measures. Deloitte is also the company auditor and its advice in relation to remuneration has been provided in compliance with the terms of reference of the Audit Committee and the Ethical Standards of the Auditing Practices Board.

Overview of Remuneration Philosophy

Remuneration Policy for Executive Directors

The Remuneration Committee again reviewed remuneration and reward arrangements for the company's executive directors in 2010. Consistent with the policies of the Combined Code, the company's policy for directors' remuneration is that packages are intended to attract, motivate and retain directors of the highest calibre. To maximise the effectiveness of the remuneration policy, careful consideration is given to aligning the remuneration package with shareholder interests and best practice.

The aim is to target an appropriate level of remuneration in order to achieve the company's growth program but not detract from the goals of good corporate governance.

In setting total remuneration, the Remuneration Committee considers a relevant group of comparators, selected on the basis of the role being considered. In 2010 the relevant reference point was deemed to be the broader FTSE 100 and practice amongst international sectoral peers. The FTSE 100 has been chosen as most relevant given the relative lack of comparable technology companies in the UK. As a result any benchmark of other companies would be overwhelmingly dominated by foreign companies who do not operate under similar corporate governance guidelines. Thus the main broad index of which the company is a member has been deemed the most relevant reference point.

Historically and on a go-forward basis a high proportion of total remuneration has been and will be awarded through short term and long term performance related remuneration. The Remuneration Committee believes that incorporating and setting appropriate performance measures and targets in the package is paramount; this will be reflected in an appropriate balance of operational and equity performance. We believe that shareholders support the concept of paying outstanding rewards for outstanding performance. We therefore have designed performance-related schemes that offer executives the opportunity to earn significant remuneration if they produce large increases in long-term shareholder value. Concomitantly, they should not receive significant performance rewards if performance is mediocre.

This year as in the past remuneration and employment conditions elsewhere within the company are taken into account when determining executive compensation. The company's highest paid employee earns a base salary approximately 5.5 times the base salary of the average employee. Raises in 2010 generally match increases of compensation throughout the key positions in the group. Executives are not offered special contracts or unique benefits; all benefits for executive directors are the same as those generally available to others in the company (such as matching pension contribution limited to 3% of base salary).

Applicability

The remuneration policy applies to executive directors.

Compliance

The Remuneration Report has been prepared in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. It also describes how the principles set out in the Combined Code have been applied in relation to the remuneration for the current and forthcoming financial years. Deloitte LLP has audited the contents of the report to the extent required by the Companies Act.

Changes for 2011

For convenience, the table below sets out a summary of changes to the individual elements of the remuneration packages which will be effective for 2011 for executive directors, discussed in more detail below.

Element	Changes for 2011
Base salary	No change to the benchmarking policy
Benefits	No new benefits
Pensions	No change to 3% capped matching pension
Annual Cash Bonus	No change to maximum bonus, but addition of new non-financial performance target
Deferred Bonus	No change to maximum bonus, but addition of new non-financial performance target
Deferred Shares Bonus	No change to maximum bonus

Remuneration Report

Remuneration Elements

The main elements of executive remuneration packages historically and for the expected future are:

Base Salary

The Remuneration Committee considers the level of base salary for each executive director annually, taking into account the performance of the individual and the company's strategies. The Remuneration Committee also takes into account salaries in relevant comparable companies, specific factors relating to the individual, internal relatives and overall affordability. The appropriate market rate is the rate in the market place from which the individual is most likely to be recruited.

In establishing individual salary levels, the Remuneration Committee is conscious that it should pay no more than is necessary to retain and motivate the executive, while ensuring business objectives are fulfilled. There is no automatic adjustment in respect of inflation. Executive directors' base salaries remain low relative to similarly situated companies, with performance-based incentive compensation forming the most important factor in overall compensation.

2010 salaries and benefits for the CEO and CFO were approved by the Board in early 2010 based on performance during 2010, which included record operating profits (adj.) up 14% from the prior year, and the fact that executive director compensation was amongst the lowest of similarly sized companies despite extraordinary performance.

Given the company's significant growth, continued performance in 2010 against strong comparators from the prior year, market positioning against UK and US comparators, the lack of generous pension entitlements and increase in size of roles, base salary raises for 2011 were approved as follows:

	Salary for 2011	Raise
Dr. Michael Lynch	£377,685	10%
Sushovan Hussain	£339,916	10%

The executive directors' base salaries remain in the bottom quartile of comparable companies. Increases were generally in line with overall compensation increases throughout the group.

Benefits

Limited employment-related benefits are provided, consisting only of company car or car allowance and basic private medical insurance. Remuneration relatively common amongst peers which is not provided includes: final salary pensions; executive director-specific pensions; tax advice; premium private health care; exit packages other than standard notice periods; guaranteed bonuses; or director-specific equity plans.

Pensions

During 2006 the company established a matching pension scheme available to all UK employees with more than three years' service. The scheme provides for the company to make a matching contribution to an individual employee's pension, up to 3% of the individual's base salary (only) per annum. Other than this generally available benefit, the directors do not have pension, retirement or similar entitlements.

Bonuses

In accordance with common practice amongst the company's peers, the company has performance-related bonus remuneration for certain executive directors. Bonuses are intended to encourage the achievement of pre-defined annual financial objectives and to focus on the most important measures of business success, while rewarding individuals for outstanding performance. In this way executive bonuses seek to align the interests of shareholders and those eligible.

Generally, the outside world places great weight on the performance of the company from year to year, and we therefore think it appropriate to have a significant part of the performance pay linked to annual performance. The purpose of the Cash Bonus and the Deferred Bonus schemes are to align Executive Directors with this performance period and to motivate them to meet and beat demanding annual performance targets.

The targets for the annual element of bonuses are related to the goals of the company set by the Board. Generally, bonuses will start to be earned at performance levels on target and then increase until they reach capped levels, which will generally be significantly above targets.

Cash Bonus. Executive directors are eligible for a bonus of 50% of base salary for basic achievement and up to an additional 50% of base salary for over performance against pre-agreed financial targets (awarded on a straight-line between the two targets). The policy remains in place for 2011 under the same guidelines, with the addition this year of a second non-financial, strategic target to accompany the financial target.

For 2010, the financial target for basic performance was 2010 earnings per share (adj. IFRS) of at least $1.20 per share, which was achieved resulting in a bonus of 50% of base salary for each of Dr. Lynch and Mr. Hussain. The over-performance target of $1.24 per share (adj. IFRS), resulting in an additional bonus of up to 50% of base salary, was not achieved. The targets were selected as objective, challenging growth targets designed to meet the growth objectives of the company in line with company and shareholder expectations. In selecting the targets and levels of compensation the committee reviewed the plans of similarly situated technology companies and analyst consensus forecasts.

Deferred Bonus. For 2010, the Board adopted a new deferred bonus policy for executive directors. The Board believes that share ownership by directors and staff aligns their personal interests with those of shareholders. The policy remains in place for 2011 under the same guidelines, with the addition this year of a second non-financial, strategic target to accompany the financial target.

Under the policy executive directors are granted share options following achievement of pre- financial targets, with vesting over subsequent years. Executive directors are eligible for a single annual grant of up to 150,000 share options if the performance levels are achieved. Grants vest from the date of award over the subsequent three years, with the maximum number set as approximately one and a half times base salary based on a Black Scholes valuation.

For 2010, the financial target for basic performance was 2010 earnings per share (adj. IFRS) of at least $1.20 per share, which was achieved resulting in the issuance of 75,000 share options for each of Dr. Lynch and Mr. Hussain. These options vest over the next three years in equal instalments on the three month anniversary of the date of grant and have an exercise price of £16.00 (equal to the fair market value on the date of approval). The over-performance target of $1.24 per share (adj. IFRS), which would have resulted in an additional award of up to 75,000 share options, was not achieved. The targets were selected as objective, challenging growth targets designed to meet the growth objectives of the company in line with company and shareholder expectations. In selecting the targets and levels of compensation the committee reviewed the plans of similarly situated technology companies and analyst consensus forecasts.

Neither Dr. Lynch nor Mr. Hussain received any other share options in 2010 related to performance during the year (the sole grant to Mr. Hussain in 2010 related to 2009 performance prior to adoption of the 2010 policy).

The Board sets reasonable individual grant limits for all employee share options across the entire Company. As a result, at 31 December 2010, the Board collectively held options over less than 0.26% of outstanding equity, and options granted to the Board totalled 0.02% of the company's outstanding shares at 31 December 2010. Options granted to Board members during 2010 totalled 0.65% of all share options outstanding at 31 December 2010.

Share options are always issued at market value. The maximum number of share options the company is permitted to grant is up to 10% of the outstanding shares. There has been no departure from this policy during 2010.

Deferred Shares Bonus. In 2010 the Board approved a new performance share policy as part of the remuneration arrangements. The policy remains in place for 2011 under the same guidelines.

The purpose of the Deferred Shares Bonus is to align the interests of shareholders and management in growing the value of the business over the long term. It does this by granting shares which vest depending on the extent to which the business meets targets over a three-year period; the value of the incentive to an executive is also heavily dependent on the level of share-price appreciation over the period, which also helps to align the interest of executive and shareholder. A useful extra feature of the Deferred Shares Bonus is that it works as an extremely effective retention tool; the more successful the company is (and therefore the more attractive our executives are to other companies), the more difficult it becomes for other companies to lure our people away.

The maximum annual award level for executive directors for 2010 and 2011 is 100% of base salary. Vesting of awards is based on meeting stretching performance targets over a three year performance period and, subject to meeting all relevant conditions, shares will normally be released to participants as soon as possible following the third anniversary of the award. Any ordinary shares granted under the policy will be satisfied from the company's Employee Benefit Trust, thus will be non-dilutive to shareholders.

Performance is measured against total shareholder return versus the constituents of the FTSE 100 at date of grant. The FTSE 100 has been chosen as most relevant given the relative lack of comparable technology companies in the UK. As a result any benchmark of other companies would be overwhelmingly dominated by foreign companies who do not operate under similar corporate governance guidelines. Thus the main broad index of which the company is a member has been deemed the most relevant reference point.

For 2011, 25% of an award will vest for performance equal to the FTSE 100's median performance three years hence. 100% of the award will vest for performance placing the company in the top 75th percentile of the FTSE 100's performance three years hence. The award will vest on a straight line basis for performance in between the median and the top quartile. No shares will vest for performance below the median.

The first potential award was provisionally approved in 2010, and thus is still in the first year of its three year performance period.

The Remuneration Committee will in all cases retain discretion to ensure that, as a condition for the vesting of shares, the underlying overall performance of the company has been satisfactory. Vested awards will include adjustments for any dividends, share splits or similar corporate actions throughout the vesting period.

If a participant resigns or is dismissed before shares are released, they will be forfeited. The Remuneration Committee will have discretion to accelerate vesting in compassionate circumstances. In the event of a change of control during the performance period, performance will be measured at the latest possible date before the change of control to assess the proportion vesting based on performance. The proportion of the award that may be released will then be time prorated. The Remuneration Committee will have discretion to disapply the impact of time pro rating and to permit up to 100% of awards to vest on a change of control if, due to exceptional business circumstances, returns to shareholders are considered to be at a superior level.

Non-Executive Director Remuneration

Fees for non-executive directors are determined taking into account expected time commitments and responsibilities, together with comparative market rates and benchmarking data.

Non-executive directors are entitled to basic fees only. For 2010 basic fees were set at £60,000 per annum for all non-executive directors, where they will remain for 2011. An additional fee of £20,000 is to be paid to the Chairman of the Audit Committee. The Chairman of the Board earned a fee of £120,000 per annum in 2010, which will remain the same in 2011.

Non-executive directors do not participate in any bonus or performance-related plans or any of the group's share incentive, option or pension schemes.

Staff Incentive Schemes

Options form the core element of the company's equity program for the broader employee base, and are granted in small amounts from time-to-time to a very broad set of the company's employees after achievement of stretching performance targets and significant continuing contribution to value creation. After grant share option awards are then subject to vesting periods, with initial vesting after six or 12 months with the remainder vesting over a total of 2.5 to 3.5 years. Executive Directors participated in this scheme in prior years but no longer do so.

The requirement for individuals to perform prior to granting options has been very effective in motivating performance, achieving targets and (most importantly) minimizing reward unconnected to an individual's performance. It enables the company to specifically tailor grants to an individual's role in an efficient manner. This method also keeps individuals continuously incentivized as a grantee must remain employed to achieve full vesting of the options. This method is also designed to ensure that individuals are not unjustly rewarded, which the Board believes is much more likely if large option grants are made with broad performance targets. Under that method, an individual who was personally underperforming would undoubtedly be enriched if the company met its own broader performance targets, without making any material contribution, particularly given the company's rapid growth and share price appreciation.

Remuneration Report

Service Contracts

Policy

The Combined Code and guidelines issued by institutional investors recommend that notice periods of no more than one year be set as an objective for executive directors and that any payments to a departing executive director should be determined having full regard to the duty of mitigation. The company has achieved these objectives in all respects.

The company's policies prohibit long-fixed contracts and contractual termination payments. The company requires mutual notice periods for directors, but never in excess of 12 months. All executive directors have service contracts and all non-executive directors have appointment letters. All agreements provide for notice of 12 months or less, although do not have a specified fixed term, and all permit garden leave up to the length of the notice period. No other amounts are payable on termination. All terms of appointment are subject to the provisions of the Companies Act 2006 and the requirement to retire by rotation on the third anniversary of the previous election.

Details of all directors' service contracts and appointment letters are available on the company's website.

Executive Directors' Contracts

No director is entitled to any automatic payment by virtue of early termination of their contract or a change in control of the company. Details of executive directors' service contracts as at the date of this report are as follows:

	Date	Mutual Notice Period
Dr. Michael Lynch	9 July 1998	6 months
Sushovan Hussain	27 June 2001	12 months

Each executive director is entitled to current benefits generally made available to all employees and any fees or remuneration he is entitled to as a director of Autonomy. Payment of salary in lieu of notice is permitted on termination. For a fixed period following the termination of employment, each of Dr. Lynch and Mr. Hussain are prohibited from soliciting the company's clients, customers and employees and from competing with the company in a similar geographic area.

Non-Executive Directors' Contracts

The non-executive directors serve under appointment letters with the company. All non-executive directors (including the Chairman) are appointed under the company's Articles of Association, which require that one third of all directors (including executive directors) shall retire at each AGM but that all directors must seek re-election at least every three years. They are also subject to review by the Nominating Committee prior to being considered for election or re-election by shareholders.

Details of non-executive directors' appointment letters as at the date of this report are as follows:

	Date
Robert Webb, Chairman	1 May 2009
Jonathan Bloomer	1 Aug 2010
Richard Gaunt[(1)]	9 July 1998
Frank Kelly	1 May 2010
John McMonigall	2 July 1998

(1) Mr. Gaunt commenced service as a non-executive director in 2006.

Either party may terminate the appointment upon three months' notice or payment of salary in lieu of notice.

Non-executive directors are entitled to be reimbursed for their reasonable out-of-pocket expenses incurred in attending Board meetings and committees thereof. No directors are entitled to reimbursement of non-business expenses, and all directors are subject to the company's global expense policies.

Other Considerations

External Directorships

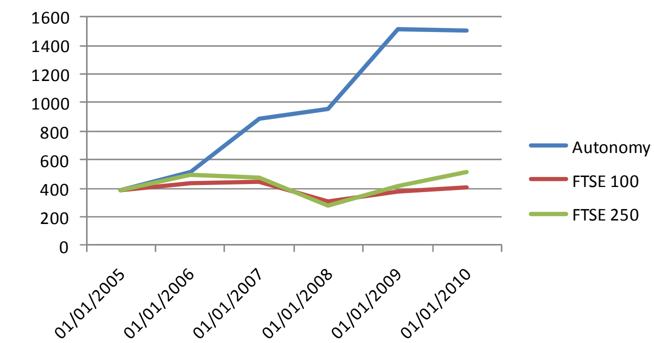
Executive directors may hold positions in other companies as non-executive directors. In 2010, Dr. Lynch was the only executive director with such a position. In connection with his services as a non-executive director of the BBC and blinkx Plc, during the year ended 31 December 2010 Dr. Lynch received total remuneration of £35,000 and £35,000 (2009: £35,000 and £35,000) from the BBC and blinkx, respectively. Dr. Lynch performs these services independently of his duties to the company and thus is entitled to receive such compensation. Mr. Hussain commenced service as a non-executive director of Monetise Plc on 1 January 2011 and will also retain any compensation he may receive.

Performance Graph

The accompanying graph sets forth the total shareholder return for the last five years of a holding of the company's shares against the corresponding change in a hypothetical holding of shares in the FTSE 100 and FTSE 250 Indexes. These indexes represent broad equity market indexes in which the company, and similar companies, are constituent members.

Total shareholder return 1 January 2006 to 31 December 2010

Autonomy +285% (FTSE 100 +5%, FTSE 250 +31%)
Autonomy share price +280% vs. FTSE 100 and +253% vs. FTSE 250



Audited Remuneration Information

Directors' Remuneration

Remuneration for Directors who served during the year ended 31 December 2010 was as follows:

	Salary	Benefits[1]	Matching Pension Contributions	Bonuses	Total 2010	Total 2009
	£	£	£	£	£	£
Executive Directors						
Dr. Michael Lynch	335,991	10,638	10,230	171,675	528,534	330,117[2]
Sushovan Hussain	306,889	9,000	9,207	154,507	479,603	515,572
Non-Executive Directors						
Robert Webb, Chairman	120,000	—	—	—	120,000	80,000[3]
Barry Ariko (through 8 September 2010)[4]	42,510	—	—	—	42,510	51,613
Jonathan Bloomer (from 1 August 2010)	33,333	—	—	—	33,333	—
Richard Gaunt	57,917	—	—	—	57,917	32,608
Frank Kelly (from 1 May 2010)	40,000	—	—	—	40,000	—
John McMonigall	60,000	—	—	—	60,000	51,613
Richard Perle (through 8 September 2010)[4]	42,510	—	—	—	42,510	51,613

(1) Amounts shown reflect the taxable benefit of company cars and private health insurance.
(2) Dr. Lynch waived receipt of a bonus for 2009.
(3) Appointed 1 May 2009 , thus represents pro rata portion of fees of £120,000 per annum.
(4) Messrs. Ariko and Perle's remuneration was earned in U.S. dollars but has been translated into sterling for this report. Each of Messrs. Ariko and Perle's service as a Director of Autonomy ended on 8 September 2010.

Share Options

Details of share options granted to executive directors, all granted based on performance, are set out below. No directors' share options were cancelled or lapsed, or changed, during the year. Vesting and exercise of options is subject to continued employment. See pages 37 and 38 for the company's policy for executive director share options for 2011 performance.

Sushovan Hussain

At 1 Jan 2010	Granted During 2010	Exercised During 2010	At 31 Dec 2010	Exercise Price	Market Price at Exercise[4]	Vesting Schedule[1]	First Exercise[2]	Expiry Date
2,500	—	2,500	—	£4.25	£18.58	3 year/6 month	15 Nov 2006	14 May 2013
12,500	—	12,500	—	£3.835	£18.58	3 year/6 month	11 Mar 2007	10 Sep 2013
40,000	—	40,000	—	£4.94	£18.58	3 year/6 month	12 Jun 2007	11 Dec 2013
12,000	—	12,000	—	£6.455	£18.58	3 year/6 month	29 Sep 2008	28 May 2014
38,000	—	31,666	6,334	£8.19	£18.58	3 year/6 month	1 Feb 2008	31 Jul 2014
45,000	—	6,334	38,666	£8.61	£18.58	3 year/6 month	19 Jun 2008	18 Dec 2014
4,000[3]	—	—	4,000	£nil	—	3 year/6 month	19 Jun 2008	—
35,000	—	—	35,000	£8.765	—	3 year/6 month	7 Sep 2008	6 Mar 2015
35,000	—	—	35,000	£8.75	—	3 year/6 month	24 Dec 2008	23 Jun 2015
35,000	—	—	35,000	£10.3	—	3 year/6 month	8 Feb 2010	7 Aug 2015
30,000	—	—	30,000	£11.92	—	3 year/6 month	26 Aug 2010	25 Feb 2016
5,000	—	—	5,000	£11.92	—	3 year/6 month	26 Aug 2010	25 Feb 2016
35,000	—	—	35,000	£11.84	—	3 year/6 month	29 Jan 2010	28 Jul 2016
—	50,000	—	50,000	£15.67	—	3 year/6 month	1 Aug 2010	31 Jul 2017
329,000	50,000	105,000	274,000					

Share Options (continued)

Michael Lynch

At 1 Jan 2010	Granted During 2010	Exercised During 2010	At 31 Dec 2010	Exercise Price	Market Price at Exercise	Vesting Schedule(1)	First Exercise(2)	Expiry Date
50,000	—	—	50,000	£3.05	—	3 year/6 month	22 Mar 2006	21 Sep 2012
30,000	—	—	30,000	£4.25	—	3 year/6 month	15 Nov 2006	14 May 2013
25,000	—	—	25,000	£3.835	—	3 year/6 month	11 Mar 2007	10 Sep 2013
12,000	—	—	12,000	£6.455	—	3 year/6 month	29 Sep 2007	28 Mar 2014
38,000	—	—	38,000	£8.19	—	3 year/6 month	1 Feb 2008	31 Jul 2014
45,000	—	—	45,000	£8.61	—	3 year/6 month	19 Jun 2008	18 Dec 2014
4,000(3)	—	—	4,000	£nil	—	3 year/6 month	19 Jun 2008	—
35,000	—	—	35,000	£8.765	—	3 year/6 month	7 Sep 2008	6 Mar 2015
35,000	—	—	35,000	£8.75	—	3 year/6 month	24 Dec 2008	23 Jun 2015
25,000	—	—	25,000	£10.30	—	3 year/6 month	8 Feb 2010	7 Aug 2015
30,000	—	—	30,000	£11.92	—	3 year/6 month	26 Aug 2010	25 Feb 2016
5,000	—	—	5,000	£11.92	—	3 year/6 month	26 Aug 2010	25 Feb 2016
30,000	—	—	30,000	£11.84	—	3 year/6 month	29 Jan 2010	28 Jul 2016
364,000	—	—	364,000					

(1) Vesting schedule is either subject to performance vesting, or over a period of three or four years with the first instalment exercisable after a "cliff" of either six months or one year. After the initial tranche vesting, additional tranches vest in equal quarterly instalments over the remainder of the vesting period.
(2) "First Exercise" represents the date of the vesting of the initial tranche when an initial portion of the options become available for exercise.
(3) Granted as a bonus following achievement of pre-determined acquisition integration targets.
(4) The gain made on exercise of share options during the year was £552,848, net of tax and the employer's portion of National Insurance contributions which are paid by the employee (gross: £1,298,386) (2009: £777,304, net (£1,204,753, gross)).

No non-executive directors hold share options, and the Board does not intend to grant any such options. The option grants to executive directors made under prior Board policies remain available for exercise and vesting in accordance with the rules of the relevant grants. They were subject to performance conditions prior to grant and vest over a three year period from grant.

Options granted to ordinary employees in the company are on the same terms and at an exercise price equal to the fair market value on the date of grant. The fair market value of the company's ordinary shares as quoted on the London Stock Exchange on 31 December 2010 (the last trading day of the year) was £15.05 per ordinary share, and the range during the year ended 31 December 2010 was from £12.71 to £19.75.

Directors' Interests in Contracts

None of the current directors had a material interest in any contract of significance to which the company or any of its subsidiary undertakings was a party during the financial year.

Directors and their Interests

The beneficial interests of directors who served during 2010 and their connected persons in the ordinary shares of the company at the start and end of the year were as follows:

	1 Jan 2010	31 Dec 2010
Executive Directors		
Dr. Michael Lynch(1)	20,028,546	19,798,546
Sushovan Hussain	5,945	9,978
Non-Executive Directors		
Robert Webb, Chairman	8,109	8,109
Barry Ariko (retired during 2010)	—	—
Jonathan Bloomer (joined in 2010)	—	—
Richard Gaunt	2,472,601	2,372,601
Frank Kelly (joined in 2010)	—	—
John McMonigall	—	—
Richard Perle (retired during 2010)	—	—

(1) Includes 610,500 ordinary shares which are deemed reportable.

At year end no director had any non-beneficial interests in the shares of the company, other than Dr. Lynch as noted above. Aggregate holdings above do not include employee share options granted to or held by the directors, which are discussed above.

By order of the Board,

Andrew M. Kanter
Company Secretary
22 February 2011

Financials

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Chief Executive Officer
Dr. Michael R. Lynch
22 February 2011

Sushovan Hussain

Chief Financial Officer
Sushovan Hussain
22 February 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTONOMY CORPORATION PLC

We have audited the financial statements of Autonomy Corporation plc for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Cash Flow Statements, the consolidated related notes 1 to 33 and the Parent Company related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the group financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within the Directors' Report and note 3 in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Nigel Mercer

Nigel Mercer (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, England
22 February 2011

Consolidated Financial Statements

Consolidated Income Statement for the year ended 31 December 2010

	Note	2010 $'000	2009 $'000
Continuing operations			
Revenue	4,5	870,366	739,688
Cost of revenues (excl. amortization)		(111,513)	(87,747)
Amortization of purchased intangibles		(57,280)	(49,650)
Cost of revenues		(168,793)	(137,397)
Gross profit		701,573	602,291
Research and development	6	(114,752)	(98,785)
Sales and marketing		(204,109)	(170,797)
General and administrative		(69,405)	(60,627)
Other costs			
Post-acquisition restructuring costs	6	(3,468)	(846)
Gain on foreign exchange	6	6,576	942
Total operating costs		(385,158)	(330,113)
Profit from operations	6	316,415	272,178
Share of loss of associate	16	(1,816)	(273)
Profit on disposal of investment		436	—
Interest receivable	9	8,458	1,205
Interest payable	10	(41,299)	(7,044)
Profit before tax		282,194	266,066
Tax	11	(64,901)	(74,515)
Net profit		217,293	191,551
Earnings per share			
Basic	12	0.90	0.81
Diluted	12	0.89	0.80

Reconciliation of Non-IFRS Financial Measures

	2010 $'000	2009 $'000
Gross profit	701,573	602,291
Amortization of purchased intangibles	57,280	49,650
Gross profit (adjusted)*	758,853	651,941
Profit before tax	282,194	266,066
Amortization of purchased intangibles	57,280	49,650
Share-based compensation (see note 29)	5,979	7,173
Post acquisition restructuring costs	3,468	846
Gain on foreign exchange	(6,576)	(942)
Profit on disposal of investment	(436)	—
Interest charge on convertible loan notes	35,196	—
Share of loss of associate	1,816	273
Profit before tax (adjusted)*	378,921	323,066
Provision for tax	(86,705)	(90,268)
Net profit (adjusted)*	292,216	232,798
Profit from operations	316,415	272,178
Amortization of purchased intangibles	57,280	49,650
Share-based compensation (see note 29)	5,979	7,173
Post-acquisition restructuring costs	3,468	846
Gain on foreign exchange	(6,576)	(942)
Profit from operations (adjusted)*	376,566	328,905

* Non-IFRS financial measures are used to calculate "adjusted" results discussed throughout the Annual Report.

Consolidated Balance Sheet at 31 December 2010

	Note	2010 $'000	2009 $'000
Non-current assets			
Goodwill	13	1,361,900	1,287,042
Other intangible assets	14	400,372	399,277
Property, plant and equipment	15	42,554	33,886
Equity and other investments	16	68,600	16,608
Deferred tax asset	18	16,263	24,015
Total non-current assets		1,889,689	1,760,828
Current assets			
Trade and other receivables	17	330,117	275,450
Inventories		116	486
Cash and cash equivalents		1,060,600	242,791
Total current assets		1,390,833	518,727
Total assets		3,280,522	2,279,555
Current liabilities			
Trade and other payables	19	(75,411)	(69,443)
Bank loan	20	(78,745)	(52,375)
Tax liabilities		(33,210)	(43,338)
Deferred revenue		(170,256)	(164,931)
Provisions	21	(1,661)	(2,731)
Total current liabilities		(359,283)	(332,818)
Net current assets		1,031,550	185,909
Non-current liabilities			
Bank loan	20	(66,407)	(145,152)
Convertible loan notes	22	(681,791)	–
Deferred tax liabilities	23	(91,072)	(85,087)
Deferred revenue		(7,421)	(8,576)
Other payables		(3,702)	(1,020)
Provisions	21	(3,597)	(5,123)
Total non-current liabilities		(853,990)	(244,958)
Total liabilities		(1,213,273)	(577,776)
Net assets		2,067,249	1,701,779
Shareholders' equity			
Share capital	24	1,344	1,333
Share premium account		1,247,907	1,130,767
Capital redemption reserve		135	135
Own shares	25	(788)	(845)
Merger reserve		27,589	27,589
Stock compensation reserve		27,881	21,959
Revaluation reserve		47,415	4,499
Translation reserve		(30,161)	(12,032)
Retained earnings		745,927	528,374
Total equity		2,067,249	1,701,779

The financial statements of Autonomy Corporation plc, registered number 03175909, were approved by the Board of Directors and authorised for issue on 22 February 2011. They were signed on its behalf by:

Dr. Michael R. Lynch
Chief Executive Officer and Co-Founder

Consolidated Statement of Changes in Equity for the year ended 31 December 2010

	Share Capital (number)	Share Capital $'000	Share Premium $'000	Capital Redemption Reserve $'000	Own Shares $'000	Merger Reserve $'000	Sub-Total $'000
At 1 January 2009	215,817,197	1,214	798,279	135	(905)	27,589	826,312
Net profit	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	—
Stock compensation charge	—	—	—	—	—	—	—
Share placing	21,560,260	103	308,409	—	—	—	308,512
Share options exercised	3,196,847	16	24,079	—	—	—	24,095
EBT options exercised	—	—	—	—	60	—	60
Tax movements on stock options	—	—	—	—	—	—	—
At 31 December 2009	240,574,304	1,333	1,130,767	135	(845)	27,589	1,158,979
Net profit	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	—
Stock compensation charge	—	—	—	—	—	—	—
Share options exercised	1,988,280	11	19,325	—	—	—	19,336
EBT options exercised	—	—	—	—	57	—	57
Equity element of convertible loan notes	—	—	97,815	—	—	—	97,815
Tax movement on stock options	—	—	—	—	—	—	—
At 31 December 2010	242,562,584	1,344	1,247,907	135	(788)	27,589	1,276,187

	Sub-Total $'000	Stock Compensation Reserve $'000	Revaluation Reserve $'000	Translation Reserve $'000	Retaining Earnings $'000	Total $'000
At 1 January 2009	826,312	14,846	2,987	(18,261)	294,016	1,119,900
Net profit	—	—	—	—	191,551	191,551
Other comprehensive income	—	—	1,512	6,229	—	7,741
Stock compensation charge	—	7,173	—	—	—	7,173
Share placing	308,512	—	—	—	—	308,512
Share options exercised	24,095	—	—	—	—	24,095
EBT options exercised	60	(60)	—	—	—	—
Tax movements on stock options (see note 11)	—	—	—	—	42,807	42,807
At 31 December 2009	1,158,979	21,959	4,499	(12,032)	528,374	1,701,779
Net profit	—	—	—	—	217,293	217,293
Other comprehensive income	—	—	42,916	(18,129)	—	24,787
Stock compensation charge	—	5,979	—	—	—	5,979
Share options exercised	19,336	—	—	—	—	19,336
EBT options exercised	57	(57)	—	—	—	—
Equity element of convertible loan notes	97,815	—	—	—	—	97,815
Tax movements on stock options (see note 11)	—	—	—	—	260	260
At 31 December 2010	1,276,187	27,881	47,415	(30,161)	745,927	2,067,249

Consolidated Statement of Comprehensive Income for the year ended 31 December 2010

	2010 $'000	2009 $'000
Net profit	217,293	191,551
Translation of overseas operations	(18,129)	6,229
Revaluation of equity investment	42,916	1,512
Other comprehensive income	24,787	7,741
Total comprehensive income	242,080	199,292

Consolidated Cash Flow Statement for the year ended 31 December 2010

	Note	2010 $'000	2009 $'000
Net cash from operating activities	27	302,328	250,021
Investing activities			
Interest received		7,789	1,127
Purchases of property, plant and equipment and intangibles		(59,624)	(34,429)
Proceeds on disposal of investment		467	—
Investment in joint venture, associate and equity investments		(10,676)	(6,449)
Expenditure on product development		(38,542)	(24,722)
Acquisition of subsidiaries (net of cash acquired)	26	(79,460)	(630,052)
Net cash used in investing activities		(180,046)	(694,525)
Financing activities			
Proceeds from issuance of shares, net of issuance costs		18,735	24,668
Proceeds from share placing, net of issuance costs		—	308,512
Proceeds from convertible loan notes, net of issuance costs	22	761,781	—
Interest on convertible loan notes		(12,527)	—
Interest on bank loan		(4,501)	(5,340)
Repayment of bank loan		(53,906)	(37,450)
Drawdown of bank loan, net of arrangement fee		—	196,154
Net cash from financing activities		709,582	486,544
Net increase in cash and cash equivalents		831,864	42,040
Cash and cash equivalents at beginning of year		242,791	199,218
Effect of foreign exchange rate changes		(14,055)	1,533
Cash and cash equivalents at end of year		1,060,600	242,791

Notes to the Consolidated Financial Statements

1. General Information

Autonomy Corporation plc is a company incorporated in England and Wales under the Companies Act 2006. The registered office is at Autonomy House, Cambridge Business Park, Cowley Road, Cambridge CB4 0WZ, UK. Autonomy Corporation plc is the ultimate holding company of the Autonomy group of companies (the "group"). The nature of the group's operations and its principal activities are set out beginning on page 8.

The company's functional currency is sterling as that is the currency of the primary economic environment in which the company operates. The group's presentational currency is dollars as that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out in note 2.

Adoption of new and current standards
In the current year, the following new and revised Standards and Interpretations have been adopted.

IAS 27(2008) Consolidated and Separate Financial Statements; and
IAS 28(2008) Investments in Associates

Adoption of these standards did not have any significant impact on the financial position or performance of the Group, or result in changes in accounting policy or additional disclosure.

The following new and revised Standards and Interpretations have been adopted in the current year. Although their adoption has not had any significant impact on the amounts reported in these financial statements it may impact the accounting for future transactions and arrangements.

IFRIC 17 Distributions of Non-cash Assets to Owners	The Interpretation provides guidance on when an entity should recognise a non-cash dividend payable, how to measure the dividend payable and how to account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable when the payable is settled.
IFRS 2 (amended) Group Cash-settled Share-based Payment Transactions	The amendment clarifies the accounting for share-based payment transactions between group entities.
IFRS 3(2008) Business Combinations	IFRS 3(2008) has introduced additional disclosure requirements for acquisitions.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9 .... Financial Instruments
IAS 24 (amended) .... Related Party Disclosures
IAS 32 (amended) .... Classification of Rights Issues
IFRIC 19 .... Extinguishing Financial Liabilities with Equity Instruments
IFRIC 14 (amended)............................ Prepayments of a Minimum Funding Requirement
Amendments to IAS 12 .... Deferred Tax: Recovery of Underlying Assets
Amendments to IFRS 7 .... Disclosures – Transfers of Financial Assets

Improvements to IFRSs (May 2010)
The adoption of IFRS 9 which the Group plans to adopt for the year beginning on 1 January 2013 will impact both the measurement and disclosures of Financial Instruments. The directors do not expect that the adoption of the other standards listed above will have a material impact on the financial statements of the Group in future periods.

2. Significant Accounting Policies

a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of equity investments and financial instruments. The principal accounting policies adopted by the company are set out below.

The going concern basis has been adopted in preparing the financial statements, as described in more detail in note 3.

2. Significant Accounting Policies (continued)

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries, together the "group") made up to 31 December each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

c) Investments in associate

An associate is an entity over which the group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associate are incorporated in these financial statements using the equity method of accounting except when classified as held for sale (see below). Investments in associate are carried in the balance sheet at cost as adjusted by post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associate in excess of the group's interest in the associate are not recognised. Any excess of the cost of acquisition over the group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in profit or loss in the period of acquisition. Where a group company transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

d) Goodwill

Goodwill arising on a business combination represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset on the date of acquisition and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

For the purpose of impairment testing, goodwill is allocated to the group's cash-generating unit expected to benefit from the synergies of the combination. Goodwill is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit and goodwill is less than their combined carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous US GAAP amounts subject to being tested for impairment at the date of transition to IFRS.

e) Revenue recognition

The group discloses revenue within two categories, namely sale of goods and rendering of services, as required by IAS 18. During 2010 there has been no change to the group's revenue recognition policies in any respect. The nature of the transactions that the group has entered into during 2010 is the same as in 2009 in all respects.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales taxes.

Deferred revenues primarily relate to archiving and customer support and maintenance fees, which have been invoiced to the customer prior to the performance of these obligations. Deferred revenue is recognised rateably over the term of the contract, usually over a period of one to three years.

Notes to the Consolidated Financial Statements

2. Significant Accounting Policies (continued)

i) Sale of goods

The group sells its products as licenses to resellers, OEMs and direct to end-users together with associated support and maintenance. In addition, the group also sells some of its products on a subscription basis.

Revenues from software license agreements are recognised where there is persuasive evidence of an agreement with a customer (contract and/or binding purchase order), delivery of the software has taken place, collectability is probable and the fee has been contractually agreed and is not subject to adjustment or refund (i.e. is fixed and determinable). If an acceptance period is required, revenues are recognised upon the earlier of customer acceptance or the expiration of the acceptance period. Revenue is recognized on contracts providing that the customer passes defined credit-worthiness checks. If significant post-delivery obligations exist or if a sale is subject to customer acceptance, revenues are deferred until no significant obligations remain or acceptance has occurred.

The group enters into OEM and reseller arrangements that typically provide for fees payable to the group based on licensing of the group's software to third party customers. Sales are generally recognised as reported by the OEM or reseller and is based on the amount of product sold. Sales are recognised if all products subject to resale are delivered in the current period, no right of return policy exists, collection is probable and the fee is fixed and determinable.

Revenues from customer support and maintenance are recognised rateably over the term of the support period. If customer support and maintenance is included free or at a discount in a license agreement, these amounts are allocated out of the license fee at their fair market value based on the value established by independent sale of the customer support and maintenance to customers. Support and maintenance consists primarily of the supply of products, such as patches and updates, to the standard software.

Product revenues from the hosted business are separated, using the residual method, into capture and archiving. Revenues for capture are recognised in the period in which they are delivered. Revenues for archiving are recognised over the period that the customers have access to the group's software and proprietary storage technology. Product revenues from the hosted business relate to the execution of production operations on computers which the company runs in its data centres. Revenues are generated from the use of our software and computers and from us maintaining the data. Customers commit for periods between one month and up to three years. Revenues are generated in two different ways:

- Paid up front, usually one to three years, in which case the group has an obligation to process the data using the group's software and archive for the contracted length of time using the group's proprietary storage technology. Revenues are allocated between capture and archiving using the residual method, with the archiving element deferred and recognized rateably over the contracted period of archiving.

- Paid on a pay-as-you-go basis, in which case the charge is based on the volumes of data ingested and stored each month. Revenues for pay-as-you-go customers are recognized on a monthly basis as the product is made available to customers. There is no deferred revenue in relation to these customers.

ii) Rendering of services

Consulting and training revenues are included within rendering of services.

Consulting revenues are primarily related to implementation services performed on a time and materials basis under separable service arrangements related to the installation of the group's software products. Revenues from consulting and training services are recognised as services are performed. If a transaction includes both license and service elements, license fee revenue is recognised upon shipment of the software, provided services do not include significant customisation or modification of the base product and the payment terms for licenses are not subject to acceptance criteria. In cases where license fee payments are contingent upon the acceptance of services, revenues from both the license and the service elements are deferred until the acceptance criteria are met.

iii) Cost of revenues

Cost of license revenues includes the cost of royalties due to third party licenses, costs of product media, product duplication, hardware and manuals.

iv) Interest receivable

Interest income is recognised when it is probable that the economic benefits will flow to the group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

f) Leasing

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

2. Significant Accounting Policies (continued)

g) Foreign currencies

Transactions in currencies other than the functional currency of the entity concerned are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated into US. dollars at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are denominated as assets and liabilities of the foreign entity and translated at the closing rate.

h) Profit from operations

Profit from operations is stated before investment income and finance costs.

Operating costs are categorized into research and development, sales and marketing, general and administrative, and other costs. Research and development costs comprise the costs of the research and development teams; sales and marketing costs comprise the costs of the sales force, commissions and costs of promoting new products and entering into new markets; general and administration costs comprise costs of administration and payroll costs of staff not attributable to other activities.

i) Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

j) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associate, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority, and the group intends to settle its current tax assets and liabilities on a net basis.

2. Significant Accounting Policies (continued)

k) Property, plant and equipment

Leasehold improvements, fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	shorter of economic useful life and lease term
Fixtures and fittings	3 – 5 years
Computer equipment	3 – 5 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

l) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the group's product development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably; and
- the product from which the asset arises meets the group's criteria for technical feasibility.

Internally-generated intangible assets are amortized on a straight-line basis over their useful lives, which is 3 years. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

m) Other intangible assets excluding goodwill

Other intangible assets excluding goodwill are measured initially at purchase cost and are amortized on a straight-line basis over their estimated useful lives, on the following bases:

Patents, licences and trademarks	1 – 3 years, or contractual life if longer
Purchased technology	3 – 7 years*
Customer relationships	3 – 11 years*
Brand names	3 – 10 years*

* the estimated useful lives for these purchased intangible assets, acquired through acquisition, are based on the independent valuation reports prepared, with the exception of assets acquired in 2010 which are based on preliminary estimates.

n) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. Significant Accounting Policies (continued)

o) Inventories

Inventories are stated at the lower of cost and net realisable value.

p) Provisions

Provisions are recognized when the group has a present obligation as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

q) Share-based payments

The group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2004.

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest. Fair value is measured by use of a Black Scholes model.

r) Share-based payments

Financial assets and financial liabilities are recognised in the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

i) Financial assets

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

ii) Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

iii) Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

2. Significant Accounting Policies (continued)

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 31.

iv) Available for sale financial assets

Unlisted shares and listed redeemable notes held by the group that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in note 31. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on AFS equity instruments are recognised in profit or loss when the group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

v) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

vi) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

vii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2. Significant Accounting Policies (continued)

viii) De-recognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

ix) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

x) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

xi) Financial liabilities

All financial liabilities are classified as 'other financial liabilities'.

xii) Compound instruments

The component parts of compound instruments (convertible loan notes) issued by the group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instruments maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

xiii) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

xiv) De-recognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

xv) Derivative financial instruments

The group does not use derivative financial instruments.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

a) Critical judgements in applying the group's accounting policies

In the process of applying the group's accounting policies, which are described in note 2, management have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are discussed below).

i) Revenue recognition

The accounting policy set out in note 2 has been followed. The only area where management is required to exercise judgement relates to collectability. Management uses extensive credit checks to evaluate whether a potential customer is credit worthy prior to a sale. If the customer does not pass the group's rigorous credit checks then the revenue is deferred and recognised only upon cash receipt from the customer.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

ii) Going concern

The group has considerable financial resources together with a significant number of customers across different geographic areas and industries. At 31 December 2010 the group has cash balances of $1.1 billion and total debt of $0.8 billion. The group has no net debt. As a consequence, the directors believe that the group is well placed to manage business risks successfully despite the current uncertain economic outlook.

After making enquiries and considering the cash flow forecasts of the group the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the twelve month consolidated financial statements.

b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

i) Recoverability of internally generated intangible assets

During the year $38.5 million (2009: $24.7 million) of internally generated intangible assets were capitalised as required in accordance with IAS 38. Management have assessed expected revenues to be generated from these assets and deemed that no adjustment is required to the carrying value of the assets. Management have also reviewed the assets for impairment and deemed that no impairment is required.

ii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating unit (CGU) to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows of the CGU and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was $1,361.9 million (2009: $1,287.0 million).

iii) Trade receivables

The directors consider that the carrying amount of trade receivables approximates their fair value. A provision has been made for estimated unrecoverable amounts based on information available to management. Changes in collectability of trade receivables may impact the level of provision required.

iv) Convertible loan notes

The liability and equity components of the convertible loan notes are calculated on the date of issue based on market interest rates of similar non-convertible loan notes. The market interest rate used in the calculation was based on information provided by independent financial institutions.

4. Revenue

An analysis of the group's revenue is as follows:

	2010	2009
Continuing Operations	$'000	$'000
Sales of goods (see note 2)	828,374	704,073
Rendering of services (see note 2)	41,992	35,615
Total revenues (excluding interest receivable)	870,366	739,688
Interest receivable	8,458	1,205
Total revenues (as defined by IAS 18)	878,824	740,893

5. Segmental Analysis

The company is organized internally along group function lines with each line reporting to the group's chief operating decision maker, the Chief Executive Officer. The primary group function lines include: finance; operations, including legal, HR, and operations; marketing; sales; and technology. Each of these functions supports the overall business activities, however they do not engage in activities from which they earn revenues or incur expenditure in their operations with each other. No discrete financial information is produced for these function lines. The company integrates acquired businesses and products into the Autonomy model such that separate management financial data on these entities is not maintained post acquisition.

The group has operations in various geographic locations however no discrete financial information is maintained on a regional basis. Decisions around the allocation of resources are not determined on a regional basis and the chief operating decision maker does not assess the group's performance on a geographic basis.

The group is a software business that utilises its single technology in a set of standard products to address unique business problems associated with unstructured data. The group offers over 500 different functions and connectors to over 400 different data repositories as part of its product suite. Each customer selects from a list of options, but underneath from a single unit of the proprietary core technology platform. As a result, no analysis of revenues by product type can be provided. While delivery of Autonomy's core technology is via a number of methods, depending on the demands of the customers, trends within these delivery methods are not segments and are provided for background information and may include qualitative estimates.

Each of the group's virtual brands is founded on the group's unique Intelligent Data Operating Layer (IDOL), the group's core infrastructure for automating the handling of all forms of unstructured information. Separate financial information is not prepared for each virtual brand to assess its performance for the purpose of resource allocation decisions. The pervasive nature of the group's technology across each brand requires decisions to be taken at the group level and financial information is prepared on that basis.

A significant proportion of the group's cost base is fixed and represents payroll and property costs which relate to the multiple function lines of the group. As a result the business model drives enhanced performance though growing sales and accordingly group wide revenue generation is the key performance metric that is monitored by the chief operating decision maker. The revenue financial data used to monitor performance is prepared and compiled on a group wide basis. No separate revenue financial analysis is maintained on revenues from any of the virtual brands.

The company's chief operating decision maker is the group's Chief Executive Officer, who evaluates the performance of the company on a group wide basis and any elements within it on the basis of information from junior executives and group financial information and is ultimately responsible for entity-wide resource allocation decisions.

As a consequence of the above factors the group has one operating segment in accordance with IFRS 8 "Operating Segments". IFRS 8 also requires information on a geographic basis and that information is shown below.

The group's operations are located primarily in the United Kingdom, the US and Canada. The group also has a significant presence in a number of other European countries as well as China, Japan, India, Singapore and Australia. The following tables provide an analysis of the group's sales and net assets by geographical market based upon the location of the group's customers. It should be noted that for analysis of the business this breakdown may be of limited use. Customers are multinationals who may happen to place the same orders from different locations regardless of the region of use.

	Revenue by Geographical Market	
	2010	2009
	$'000	$'000
Americas	592,358	517,185
Rest of World	278,008	222,503
	870,366	739,688

Notes to the Consolidated Financial Statements

5. Segmental Analysis (continued)

Revenues invoiced by UK entities – the group's country of domicile – were $97 million (2009: $56 million).

Result	2010			2009		
	Americas	ROW	Total	Americas	ROW	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Result by region	196,203	117,104	313,307	212,775	59,307	272,082
Post-acq'n restructuring costs			(3,468)			(846)
Gain on foreign exchange			6,576			942
Profit from operations			316,415			272,178
Share of loss of associate			(1,816)			(273)
Profit on disposal of investment			436			—
Interest receivable			8,458			1,205
Interest payable			(41,299)			(7,044)
Profit before tax			282,194			266,066
Tax			(64,901)			(74,515)
Profit for the period			217,293			191,551

Other Information	2010			2009		
	Americas	ROW	Total	Americas	ROW	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Prop., plant & equip. add'ns	20,406	1,926	22,332	21,672	454	22,126
Purchased intangible add'ns	12,000	—	12,000	311,300	—	311,300
Other intangible asset add'ns	24,355	50,569	74,924	49,092	4,620	53,712
Depreciation	12,475	1,557	14,032	14,566	1,634	16,200
Amortization	80,824	4,754	85,578	61,317	3,566	64,883
Balance Sheet						
Assets by region	848,274	1,065,605	1,913,879	789,578	198,552	988,130
Interests in associate			4,743			4,383
Goodwill			1,361,900			1,287,042
Consolidated total assets			3,280,522			2,279,555
Liabilities by region	(453,802)	(759,471)	(1,213,273)	(529,016)	(48,760)	(577,776)

Total assets held in the UK as at 31 December 2010 were $1,004 million (2009: $182 million).

6. Profit from Operations

Profit from operations has been arrived at after (crediting) charging:

	2010	2009
	$'000	$'000
Net foreign exchange gains	(6,576)	(942)
Research and development costs expensed in income statement	114,752	98,785
Depreciation of property, plant and equipment charged in operating expenses (see note 15)	14,032	16,200
Amortization of intangibles charged in cost of sales (see note 14)	57,280	49,650
Amortization of intangibles charged in operating expenses (see note 14)	28,298	15,233
Staff costs (see note 8)	197,781	189,557
Post acquisition restructuring costs (see below)	3,468	846
Auditor's remuneration for audit services (see note 7)	1,530	1,777

The post acquisition restructuring costs in 2010 and 2009 relate to redundancy payments and related costs in relation to reductions in force following the acquisitions of Interwoven, Inc, MicroLink LLC and CA's Information Governance business.

Notes to the Consolidated Financial Statements

7. Auditor's Remuneration

A more detailed analysis of auditor's remuneration on a worldwide basis is as follows:

	2010	2009
	$'000	$'000
Fees payable to the company's auditor for the audit of the company's annual accounts	1,317	1,322
Fees payable to the company's auditor and their associate for other services to the group		
Audit of the company's subsidiaries pursuant to legislation	213	455
Total audit fees	1,530	1,777
Other services pursuant to legislation	614	125
Tax services	198	67
Corporate finance services	387	572
Total non-audit fees	1,199	764

The corporate finance fees in 2010 related to due diligence work in connection with a potential acquisition.

8. Staff Costs

The average monthly number of employees (including executive directors) was:

	2010	2009
	(number)	(number)
Administration and management	174	173
Technical personnel	1,178	1,001
Sales and marketing	526	510
	1,878	1,684
Aggregate remuneration comprised:	$'000	$'000
Wages and salaries	218,630	198,936
Social security costs	16,013	14,791
Pension costs	1,680	552
	236,323	214,279
Costs allocated to internally generated assets	(38,542)	(24,722)
Included in profit from operations	197,781	189,557

9. Interest Receivable

	2010	2009
	$'000	$'000
Interest on bank deposits	8,458	1,205

10. Interest Payable

	2010	2009
	$'000	$'000
Interest on bank loan	6,103	7,044
Interest on convertible loan notes	35,196	–
	41,299	7,044

Notes to the Consolidated Financial Statements

11. Tax

	2010 $'000	2009 $'000
Current tax:		
Current year	81,130	75,147
Prior year	(7,795)	(2,912)
	73,335	72,235
Deferred tax:		
Origination and reversal of timing differences	(8,434)	2,280
	64,901	74,515

UK Corporation tax is calculated at 28% (2009: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

On 28 June 2010, the Finance Bill 2010-11 was presented to Parliament. The Bill proposed four annual reductions in the rate of corporation tax from 28% to 24% by 2014-15. At the balance sheet date, the reduction in the corporation tax rate to 27% from April 2011 had been enacted. It is currently expected that each future Finance Bill enacted will reduce the corporation tax rate by 1% until the rate of 24% is reached.
The charge for the year can be reconciled to the profit as set forth in the income statement as follows:

	2010		2009	
	$'000	%	$'000	%
Profit before tax	282,194		266,066	
Tax at UK corporation tax rate of 28% (2009: 28%)	79,014	28.0%	74,498	28.0%
Tax effect of non-deductible expenses	1,166	0.4%	1,923	0.7%
Tax effect of non-taxable income	(3,468)	(1.2%)	(1,286)	(0.5%)
Research and Development tax credits	(3,486)	(1.2%)	(1,873)	(0.7%)
Utilization of tax losses not previously recognized	(23,558)	(8.4%)	(472)	(0.2%)
Other differences	4,294	1.5%	(4,591)	(1.7%)
Effect of different tax rates	6,469	2.3%	9,228	3.5%
Prior year adjustment	4,470	1.6%	(2,912)	(1.1%)
Tax expense and effective tax rate for the year	64,901	23.0%	74,515	28.0%

Under IAS 12 Income Taxes the amount of tax benefit that can be recognised in the Income statement in respect of stock options is limited by reference to the IFRS2 charge. Any excess amount of tax benefit in respect of stock options is recognised in equity. There are a number of movements within equity relating to tax items and the table below provides an analysis of all movements:

	2010 $'000	2009 $'000
Relating to current tax:		
Stock option tax deductions arising during the period	(7,880)	(12,173)
Utilization of tax losses during the period relating to stock option deductions of a prior period	(14,251)	(12,424)
Relating to deferred tax:		
Utilization of previously recognised deferred tax asset (see note 18)	7,880	12,173
Deferred tax asset recognised on stock options standing at a gain at year end (see note 18)	1,515	(17,906)
Deferred tax asset recognised on losses relating to stock options deductions of a prior period (see note 23)	12,476	(12,477)
Total tax credit to equity	(260)	(42,807)

12. Earnings Per Share

The calculation of the basic and diluted earnings per share is based on the following data:

	2010 $'000	2009 $'000
Earnings for the purposes of basic and diluted earnings per share being net profit (IFRS)	217,293	191,551
Earnings for the purposes of basic and diluted earnings per share being net profit (adjusted – see page 45)	292,216	232,798
Number of shares (in thousands)		
Weighted average number of ordinary shares for the purposes of basic earnings per share	241,732	237,531
Effect of dilutive potential ordinary shares:		
Share options	2,741	3,024
Weighted average number of ordinary shares for the purposes of diluted earnings per share (IFRS only)	244,473	240,555
Effect of dilutive potential ordinary shares:		
Convertible loan notes	19,926	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share (adjusted only)	264,399	240,555

	2010	2009
IFRS		
Earnings per share - basic	$ 0.90	$ 0.81
Earnings per share - diluted	$ 0.89	$ 0.80
Adjusted		
Earnings per share adjusted – basic (IFRS)	$ 1.21	$ 0.98
Earnings per share adjusted – fully diluted (IFRS)	$ 1.20	$ 0.97
Earnings per share adjusted – fully diluted (adjusted for conversion of loan notes)	$ 1.11	$ 0.97

13. Goodwill

	$'000
Cost	
At 1 January 2009	796,632
Acquisition of Interwoven, Inc.	485,728
Exchange differences	4,682
At 1 January 2010	1,287,042
Acquisition of MicroLink LLC and CA's Information Governance business (see note 26)	76,543
Exchange differences	(1,685)
At 31 December 2010	1,361,900
Accumulated impairment losses	
At 1 January 2009	–
At 1 January 2010	–
At 31 December 2010	–
Carrying amount	
At 31 December 2010	1,361,900
At 31 December 2009	1,287,042

The movements in the prior year relate to the acquisition of Interwoven Inc.

The group tests annually for impairment or more frequently if there are indications that goodwill might be impaired.

13. Goodwill (continued)

The group is required to allocate goodwill to each cash generating unit ('CGU') and then compile value in use calculations for each CGU. As described in note 5 the group has only one reporting segment under IFRS 8 Operating Segments. The acquisition and integration process adopted by the group is such that the acquired entities are rapidly integrated into the group such that it is not possible to separately identify results from acquired operations within one month of the acquisition date. At a technical level, the companies' products are rapidly integrated to enable the launch of new IDOL powered technologies. This technical upgrading to enhanced IDOL functionality can take place within days of completion. The acquired businesses almost immediately cease to sell their traditional products, but rather sell the newly integrated products based on IDOL. At an organizational level, all departments are merged. Resources are managed on a group-wide basis and reporting lines changed immediately such that functional heads (e.g sales, marketing, legal, operations, etc.) manage a group-wide pool of resources and make decisions based upon information prepared on a group-wide basis. No separate financial information is maintained for acquired operations post acquisition.

The risks and rewards of the group's operations are therefore identical across all of its virtual brands and geographies. This is a consequence of the unique technology offering where all of the group's virtual brands are based on the same core IDOL technology and the fact that sales are made to multinational organizations and governments with the same license being deployed across regional boundaries. Consequently the group has one CGU and all goodwill is allocated to that unit. This is consistent with the way management monitor, and make decisions about, the business and is consistent with the approach taken in previous years.

The key assumptions used in determining the value in use are:

Assumption	How determined
Revenues	Management have used growth rates of 10% for years 1 to 5 and then 5% for years 6 to 10. The growth rates for years 1 to 5 are prudent when compared with actual rates achieved over the last 5 years for the company, and for long term growth rates (years 6 to 10), 5% is prudent when compared with the software industry average.
Costs	Expenses have been assumed to remain a constant percentage of sales throughout the forecast period with minor reductions in the percentages as revenues grow given the primarily fixed cost nature of the business. The percentages are based on 2010 levels. The directors consider this a conservative assumption as historic results have shown that as revenues increase these percentages decline due to the operating leverage within the pure software model.
Discount rate	The discount rate of 12.8% (2009: 9.2%) applied to the cash flows is based on the weighted average cost of capital of the company as calculated using the industry standard formula.
Sensitivity	The group has prepared a sensitivity analysis which eliminates any revenue growth and also increases the discount rate to 20%. At these levels no impairment would be required.
Forecast period	The group's impairment model covers a forecast 10 year period. The directors consider 10 years to be an appropriate period to consider but note that it might reasonably extend beyond this period which would provide further upside sensitivity.

Based on all of the above the directors have concluded that no impairment of goodwill is required to be recorded.

Notes to the Consolidated Financial Statements

14. Other Intangible Assets

			Purchased Intangibles			
	Patents, Licenses and Trademarks	Internally Generated Assets	Purchased Technology	Customer Relationships	Brand Names	Total
Cost	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2009	8,246	20,082	38,690	48,669	38,754	154,441
Additions – internally generated	—	24,722	—	—	—	24,722
Acq'n of Interwoven	—	—	101,200	171,200	38,900	311,300
Other additions	28,990	—	—	—	—	28,990
Exchange differences	775	466	140	280	33	1,694
At 1 January 2010	38,011	45,270	140,030	220,149	77,687	521,147
Additions – internally generated	—	38,542	—	—	—	38,542
Acquisitions (note 26)	6,875	—	12,000	—	—	18,875
Other additions	29,507	—	—	—	—	29,507
Disposals	(3,346)	—	—	—	—	(3,346)
Exchange differences	(369)	(68)	(44)	(89)	(10)	(580)
At 31 December 2010	70,678	83,744	151,986	220,060	77,677	604,145
Amortization						
At 1 January 2009	8,223	6,578	21,001	11,559	8,386	55,747
Charge for the year	6,370	8,863	22,996	19,160	7,494	64,883
Exchange differences	766	210	82	163	19	1,240
At 1 January 2010	15,359	15,651	44,079	30,882	15,899	121,870
Charge for the year	10,937	17,361	27,025	22,201	8,054	85,578
Disposals	(3,346)	—	—	—	—	(3,346)
Exchange differences	(274)	10	(20)	(40)	(5)	(329)
At 31 December 2010	22,676	33,022	71,084	53,043	23,948	203,773
Carrying amount						
At 31 December 2010	48,002	50,722	80,902	167,017	53,729	400,372
At 31 December 2009	22,652	29,619	95,951	189,267	61,788	399,277

At 31 December 2010, the group had no other contractual commitments for the acquisition of other intangible assets (2009: $nil).

15. Property, Plant and Equipment

Cost	Leasehold Improvements $'000	Fixtures and Fittings $'000	Computer Equipment $'000	Total $'000
At 1 January 2009	10,397	4,129	33,154	47,680
Additions	4,598	1,636	15,892	22,126
Disposals	(196)	(2,875)	(1,040)	(4,111)
Exchange differences	531	853	1,128	2,512
At 1 January 2010	15,330	3,743	49,134	68,207
Additions	456	469	21,407	22,332
Disposals	(436)	(138)	(2,610)	(3,184)
Exchange differences	162	(89)	40	113
At 31 December 2010	15,512	3,985	67,971	87,468
Accumulated depreciation and impairment				
At 1 January 2009	2,981	1,950	15,399	20,330
Charge for the year	2,431	876	12,893	16,200
Disposals	(168)	(2,874)	(1,024)	(4,066)
Exchange differences	216	329	1,312	1,857
At 1 January 2010	5,460	281	28,580	34,321
Charge for the year	3,111	705	10,216	14,032
Disposals	(436)	(138)	(2,610)	(3,184)
Exchange differences	(87)	(53)	(115)	(255)
At 31 December 2010	8,048	795	36,071	44,914
Carrying amount				
At 31 December 2010	7,464	3,190	31,900	42,554
At 31 December 2009	9,870	3,462	20,554	33,886

At 31 December 2010, the group had no contractual commitments for the acquisition of property, plant and equipment (2009: $nil).

16. Equity and Other Investments

	2010 $'000	2009 $'000
Associate	4,743	4,383
Other investments	63,857	12,225
	68,600	16,608

a) Investments in associate

	2010 $'000	2009 $'000
At beginning of year	4,383	1,819
Exchange movements	(324)	685
Additions	2,500	2,152
Share of loss of associate for year	(1,816)	(273)
At end of year	4,743	4,383

The aggregated amounts in relation to the associate undertaking are shown below:

	2010 $'000	2009 $'000
Total assets	13,512	11,304
Total liabilities	(5,449)	(10,705)
Loss	(5,136)	(680)

16. Equity and Other Investments (continued)

b) Other investments

	2010 $'000	2009 $'000
Available for sale investments carried at fair value		
Quoted shares	59,480	11,840
Unquoted shares		
At beginning of year	385	350
Exchange movements	(10)	35
Additions	4,034	–
Disposals	(32)	–
At end of year	4,377	385
Total other investments	63,857	12,225

During the year the group participated in a placing completed by blinkx Plc, acquiring a further 3,187,250 shares for $4 million. At 31 December 2010 the group's interest in blinkx Plc remained 14% (2009: 14%). The remaining increase in value is attributable to the movement in the blinkx Plc share price to 83.25p (2009: 17.29p).

Dr. Lynch is a non executive director of blinkx Plc. He does not have authority or responsibility for planning, directing or controlling the activities of that entity and does not participate in the financial and operating policy decisions of that business. During 2010 the total value of software purchased by blinkx from Autonomy was $219,000 (2009: $nil).

Quoted investments are subject to market risk and can increase or decrease in value depending on the share price of the relevant instruments. This investment has been classified as available for sale under IAS 39, and all changes in fair value have been recognised directly in equity during the period. No amounts (2009: $nil) have been removed from equity and recognised in the income statement for the period.

The unquoted investments included above represent investments in privately owned companies. The fair values of these investments are based on latest financial information available for each entity. The carrying value is considered in light of the net asset value and other known factors which have an impact on the valuation of the respective entities. An impairment charge of $nil (2009: $nil) was incurred during the year.

17. Other Financial Assets

a) Trade and other receivables

	2010 $'000	2009 $'000
Amounts due from customers	293,640	251,593
Allowance for doubtful debts	(25,994)	(21,374)
Trade receivables, net	267,646	230,219
Other receivables	62,471	45,231
	330,117	275,450

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortized cost. The average credit period for trade receivables is 94 days (2009: 88) days. The DSO calculation is derived by eliminating sales tax from the net trade receivables balance, dividing by the last quarter's sales, and then multiplying by 90 (days).

The group has credit risk with respect to trade receivables due from its customers. Autonomy has over 20,000 customers spread across diverse industries and geographical areas and hence the concentration of credit risk from trade receivables is limited due to the large and broad customer base. A large proportion of the group's customer base includes various governments and large blue-chip companies which also limits the exposure to credit risk. The group has no material risk associated with new customers or resellers who the group has no experience of trading with. No customer accounts for more than 10% of revenues (2009: same). Allowance is made for bad and doubtful debts based on management's assessment of the risk of each individual debt taking into account the ageing profile, experience and circumstance. Interest charged when amounts from customers are past due is not material. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased. The group does not have any debtors with renegotiated terms.

Notes to the Consolidated Financial Statements

17. Other Financial Assets (continued)

Included in the group's trade receivables balance are debtors with a carrying amount of $76.4 million (2009: $45.8 million) which are past due at the reporting date and not impaired. Of this balance $35.4 million (2009: $12.7 million) is over 90 days overdue. The most significant impact arose from an increase in amounts due from various international government agencies, which despite increasing payment terms are reliable debtors.

The remaining balance of $191.3 million (2009: $184.4 million) is not yet due. Of this balance $16.6 million (2009: $9.2 million) is due after one year. The group's allowance for doubtful debts increased to $26 million (2009: $21.4 million). The charge for the year, net of amounts utilized and foreign exchange movements, was $4.6 million (2009: $7.1 million).

Trade receivables that are past due are provided for based on estimated irrecoverable amounts determined by reference to past default experience and any other relevant circumstances. In determining the recoverability of a trade receivable the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. No individual debt accounts for more than 10% of this balance in either year. Other receivables include a balance of $5.3 million (2009: $2.4 million) which is due after more than one year. The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

b) Bank balances and cash

Bank balances and cash comprise cash held by the group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

c) Credit risk

The group's principal financial assets are bank balances and cash, trade and other receivables.

The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the group's management based on prior experience and their assessment of the current economic environment. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Other than as noted in a) above, the group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

18. Deferred Tax Asset

	Tax Losses	Stock Option Losses	Accelerated Tax Depreciation	Other Timing Differences	Total
	$'000	$'000	$'000	$'000	$'000
At 1 January 2009	234	13,233	–	–	13,467
Transfers from current tax creditor	–	(12,173)	–	–	(12,173)
Credited to income statement	–	–	4,419	–	4,419
Credited to equity	–	17,906	–	–	17,906
Foreign exchange movement	–	396	–	–	396
At 1 January 2010	234	19,362	4,419	–	24,015
Transfers from current tax creditor	–	(7,880)	–	–	(7,880)
Credited to income statement	–	–	–	6,362	6,362
Credited to equity	–	(1,515)	–	–	(1,515)
Foreign exchange movement	–	(300)	–	–	(300)
Prior year adjustment	–	–	(4,419)	–	(4,419)
At 31 December 2010	234	9,667	–	6,362	16,263

The group has set up a deferred tax asset in respect of the future tax benefits that are expected to be received when stock options are exercised. The amount of credit that can be recognised in the income statement is limited under IAS12 and any remaining credit is taken to equity.

18. Deferred Tax Asset (continued)

At the balance sheet date, the group has no unrecognised deferred tax asset in respect of unused tax losses (2009: $82 million). See note 23 for further disclosures regarding utilisation of tax losses.

In 2009 and 2010 temporary differences arising in connection with interests in subsidiaries, associate and joint ventures are immaterial.

19. Other Financial Liabilities

	2010	2009
	$'000	$'000
Trade payables	23,443	14,926
Other payables	51,968	54,517
	75,411	69,443

The average credit period for trade purchases for the group is 44 days (2009: 43 days). The directors consider that the carrying amount of trade and other payables approximates to their fair value. No interest has been charged by suppliers in respect of overdue amounts in either year.

20. Bank Loan

	2010	2009
	$'000	$'000
Bank loan	145,152	197,527
The borrowings are repayable as follows:		
On demand or within one year	78,745	52,375
In the second year	66,407	78,745
In the third to fifth years inclusive	–	66,407
	145,152	197,527
Less: Amount due for settlement within 12 months (shown under current liabilities)	(78,745)	(52,375)
Amount due for settlement after 12 months	66,407	145,152

The loan is denominated in U.S. dollars and carries a floating interest rate of LIBOR plus 2.25%, thus exposing the group to potential cash flow interest rate risk. The directors estimate the fair value of the loan to be the same as the amounts shown above.

The loan is subject to certain financial and other covenants which have all been met during the year. The loan is covered by a guarantee from Autonomy Corporation plc but is not secured against any assets of the group.

21. Provisions

	Restructuring Provision	Onerous Lease Provision	Total
	$'000	$'000	$'000
At 1 January 2009	–	426	426
Exchange movements	–	(6)	(6)
Acquisition of Interwoven Inc	1,583	9,831	11,414
Utilized in period	(1,583)	(2,397)	(3,980)
At 1 January 2010	–	7,854	7,854
Additional provision in the year	–	578	578
Utilized in period	–	(3,174)	(3,174)
At 31 December 2010	–	5,258	5,258

	2010	2009
	$'000	$'000
Included in current liabilities	1,661	2,731
Included in non-current liabilities	3,597	5,123
	5,258	7,854

The onerous lease provision relates to liabilities assumed following the acquisition of Interwoven, Inc. Prior to acquisition Interwoven completed a restructuring programme which included both a reduction in force and a consolidation of properties. The result of this was the recording of both restructuring and onerous lease provisions. The remaining onerous lease provision is expected to be utilised during the next five years.

22. Convertible Loan Notes

On 4 March 2010 the company raised £496,900,000 through the issuance of convertible loan notes. The convertible loan notes were issued at an issue price of £50,000 per loan note and are convertible into ordinary shares of the company based on a share price of £20.6334, which is a 25% premium to the share price of the ordinary shares at the date the convertible loan notes were issued.

The loan notes carry an interest rate of 3.25% to be settled in cash semi-annually. The loan notes are payable in full on 4 March 2015 if not redeemed, converted or cancelled before that date.

The net proceeds received from the issue of the convertible loan notes have been split between the financial liability element and an equity component, representing the fair value of the embedded option to convert the financial liability into equity of the company as follows:

	$'000
Net proceeds of issue of convertible loan notes	
Net proceeds	761,781
Equity component	97,815
Liability component at date of issue	663,966
Foreign exchange movements	(4,844)
Interest charged	35,196
Interest paid	(12,527)
Liability component at 31 December 2010	681,791

The equity component of $98 million has been credited to the share premium account.

23. Deferred Tax Liabilities

	Purchased Intangibles $'000	Accelerated Tax Depreciation $'000	Total $'000
At 1 January 2009	2,537	–	2,537
Charged to income statement	6,699	–	6,699
Acquisition of Interwoven Inc.	88,074	–	88,074
Credited to equity	(12,477)	–	(12,477)
Foreign exchange movements	254	–	254
At 1 January 2010	85,087	–	85,087
Credited to income statement	(12,657)	(1,680)	(14,337)
Charged directly to equity	12,476	–	12,476
Prior year adjustment	–	7,846	7,846
At 31 December 2010	84,906	6,166	91,072

In situations where the company acquires subsidiaries and recognizes deferred tax liabilities on purchased intangibles and deferred tax assets in respect of tax losses, the company offsets these assets and liabilities to the extent that they arise in the same tax jurisdictions in accordance with IAS 12 *Income Taxes*. The movement in the year relates to the current period utilization of tax losses against group taxable profits, and the recognition of any additional tax losses. The closing deferred tax liability includes net deferred tax liabilities on purchased intangibles from the group's acquisitions of $84.9 million (2009: $82.4 million). This comprises gross deferred tax liabilities of $114.0 million (2009: $136.7 million) offset by gross deferred tax assets of $29.1 million (2009: $54.3 million).

24. Share Capital

	2010 $'000	2009 $'000
Authorized:		
600,000,000 ordinary shares of 1/3p each	3,300	3,300
Issued and fully paid:		
242,562,584 ordinary shares of 1/3p each	1,344	1,333
(2009 – 240,574,304 ordinary shares of 1/3p each)		

The company has one class of ordinary shares which carry no right to fixed income. The movement in 2010 relates to employee stock option exercises.

25. Own Shares

	Own Shares
	$'000
Balance at 1 January 2009	905
Disposed of on exercise of options	(60)
Balance at 1 January 2010	845
Disposed of on exercise of options	(57)
Balance at 31 December 2010	788

The own shares reserve represents the cost of shares the company purchased in the market and are held by the Autonomy Corporation plc Employee Benefit Trust to satisfy options under the group's UK share options scheme (see note 29). At 31 December 2010 the Trust held 389,699 shares (2009: 417,969).

26. Acquisition of MicroLink LLC and CA's Information Governance Business

During the first half of 2010 the group acquired 100% of the equity of MicroLink LLC., a leading Autonomy reseller targeting U.S. state & federal government accounts and the Information Governance business (asset purchase) from CA Technologies. The rationale for the acquisitions is discussed in the Chief Executive's Review. The acquisitions have been accounted for using the purchase method of accounting.

	Book Value Acquired	Provisional Fair Value Adjustments	Provisional Fair Value
	$'000	$'000	$'000
Net assets acquired:			
Purchased intangibles (see note 14)	–	12,000	12,000
Other assets	29,020	–	29,020
Cash and cash equivalents	(128)	–	(128)
Trade and other payables	(41,149)	–	(41,149)
	(12,257)	12,000	(257)
Goodwill			76,543
Total consideration			76,286
Net cash outflow arising on acquisition			
Cash consideration			76,286
Net overdraft acquired			128
			76,414

The purchase price allocations in relation to the acquisitions of MicroLink LLC and CA's Information Governance business have not yet been finalised Management's preliminary allocation has attributed a value of $12 million to purchased intangibles comprising purchased technology, customer relationships and brand names. During 2011 the formal valuation exercise will be completed and as such the goodwill allocation remains subject to amendment.

The difference between the net cash costs set forth above and the amount of $79.5 million set forth on the Consolidated Cash Flow Statement is payments related to acquired provisions on the 2009 acquisition of Interwoven, Inc. The cash consideration paid for MicroLink LLC was $56.9 million and for the CA Information Governance business was $19.4 million.

The goodwill arising on the acquisitions is attributed to future operating synergies from the combinations. These operational synergies are expected to arise through the following:

- cost synergies through elimination of duplicative general and administrative costs, marketing programs and other redundant costs;
- acceleration of the delivery of the next generation of unstructured information management software;
- provision of broader and more comprehensive offerings to customers; and
- additional scale and cross-selling opportunities.

Had the results of both acquisitions for the period from 1 January 2010 to the date of acquisition been included in the group's results for the year ended 31 December 2010 then group net profit would not be materially different to the reported figures.

It is not practicable to determine the effect of the acquisitions for the period from acquisition to the end of the financial period. The group's core products and those of the acquired businesses have been integrated and the operations merged such that it is not practicable to determine the portion of the result that specifically relates to either business on a stand-alone basis.

27. Notes to the Cash Flow Statement

	2010 $'000	2009 $'000
Profit from operations	316,415	272,178
Adjustments for:		
Depreciation of property, plant and equipment	14,032	16,200
Amortization of intangible assets	85,578	64,883
Share based compensation	5,979	7,173
Foreign currency movements	(6,576)	(942)
Post acquisition restructuring costs	698	846
Other non-cash items	–	128
Operating cash flows before movements in working capital	416,126	360,466
Increase in receivables	(60,983)	(78,396)
Decrease in inventories	369	235
Increase in payables	7,718	4,267
Cash generated by operations	363,230	286,572
Income taxes paid	(60,902)	(36,551)
Net cash from operating activities	302,328	250,021

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

28. Operating Lease Arrangements

	2010 $'000	2009 $'000
Minimum lease payments under operating leases recognised in the income statement for the year	17,136	17,013

At 31 December the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010 $'000	2009 $'000
Within one year	11,949	16,111
In the second to fifth years, inclusive	29,447	32,915
After five years	12,632	6,198
	54,028	55,224

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years.

29. Share Based Payments

a) Share based compensation

Share based compensation charges have been charged in the income statement within the following functional areas:

	2010 $'000	2009 $'000
Research and development	1,605	1,926
Sales and marketing	2,932	3,517
General and administrative	1,442	1,730
	5,979	7,173

29. Share Based Payments (continued)

b) Equity-settled share option plans

The group has two unapproved option plans providing employees and executives with the opportunity to acquire a proprietary interest in the company as an incentive to attract and retain the services of employees. The two plans are the UK Discretionary Option Scheme 1996 and the 2008 US Share Option Plan. Under the terms of these plans, options are granted with exercise prices not less than the fair market value of the company's shares. They become exercisable over vesting periods, with initial vesting generally after 6 or 12 months and the remainder vesting over a period of 2.5 to 3.5 years. Grants generally expire seven years from the date of grant. Vested options are exercisable following termination of employment for periods ranging from zero to 90 days.

The following tables summarize options outstanding as at 31 December:

	2010		2009	
	Number	Weighted Average Exercise Price (£)	Number	Weighted Average Exercise Price (£)
Outstanding at beginning of period	7,547,315	8.14	7,565,724	6.21
Granted during the period	2,600,500	14.97	1,524,500	12.35
Acquired upon acquisition of Interwoven, Inc	–	–	2,172,966	7.58
Exercised during the period	(1,988,280)	6.33	(3,192,661)	4.90
Expired during the period	(510,867)	10.47	(523,214)	9.46
Outstanding at the end of the period	7,648,668	10.70	7,547,315	8.14
Exercisable at the end of the period	4,033,913	8.17	3,966,385	6.62

The weighted average share price, at the date of exercise, for share options exercised during the period was £16.96. The options outstanding at 31 December 2010 had a weighted average exercise price of £8.17 and a weighted average remaining contractual life of 5.1 years.

At the date of each grant, the fair market value of the options granted during the year were as follows:

Date	Shares Number	Fair Value of Option £
1 February 2010	50,000	5.23
7 May 2010	645,000	5.51
19 October 2010	1,905,500	4.80
	2,600,500	

The assumptions for the Black-Scholes model are as follows:

	2010	2009
Weighted average share price	£14.97	£12.35
Weighted average exercise price	£14.97	£12.35
Expected volatility	46%	48%
Expected life	3 years	3 years
Risk-free rate	2.5%	2.5%
Expected dividends	–	–

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

30. Related Party Transactions

Transactions between the company and its subsidiaries which are related parties have been eliminated on consolidation and are not disclosed in this note. Transactions between the group and its associate are disclosed below. Transactions between the company and its subsidiaries and associate are disclosed in the company's separate financial statements.

a) Trading transactions with associate

There have been no transactions during 2010 and there are no balances due to or from the associate at 31 December 2010 (2009: $nil).

30. Related Party Transactions (continued)

b) Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the group, is considered a "related party" transaction for purposes of IAS 24. Full details of individual directors' remuneration are given in the Remuneration Report beginning on page 35. IAS 24 *Related Party Disclosures* also requires the amounts arising in relation to equity compensation charges. The amounts charged to the income statement in relation to the directors is set out below.

	2010	2009
	$'000	$'000
Share-based payment	471	855

31. Financial Instruments

a) Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of debt, which includes the borrowings disclosed in note 20, the convertible loan notes disclosed in note 22, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 24 and the Consolidated Statement of Changes in Equity on page 47.

The group aims to maintain cash balances over $100 million to provide both security to customers making a significant long term investment when they acquire our software and to provide funds for potential acquisitions should the opportunity arise.

b) Externally imposed capital requirement

The group is not subject to externally imposed capital requirements.

c) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

d) Derivative contracts

The group does not enter into any financial derivative contracts.

e) Classes of financial instruments

For the purposes of risk management, the group has identified the following classes of financial assets and liabilities:

		Carrying Value	
		2010	2009
	Note	$'000	$'000
Financial assets			
Cash and cash equivalents		1,060,600	242,791
Amounts due from customers	17	293,640	251,593
Investments in shares	16b	63,857	12,225
Financial liabilities			
Bank loan at amortized cost	20	(145,152)	(197,527)
Convertible loan notes	22	(681,791)	—
Trade payables	19	(23,443)	(14,926)

There is no difference between the carrying value and fair value of the above financial assets and liabilities in either year.

f) Financial risk management objectives

The group is subject to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

31. Financial Instruments (continued)

The group does not use derivative financial instruments to hedge foreign currency exposures as the operating companies within the group principally generate revenues in the currencies in which they incur the majority of their expenditure. The group manages credit risk in respect of its trade receivables as set out in note 17. Liquidity risk and cash flow interest rate risk are limited as the group has no net debt. The Board review the respective risks on a quarterly basis to ensure no significant exposures exist.

g) Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The group does not use derivatives to manage the foreign currency risks due to the natural hedging that exists within the group. Interest rate risk is not considered significant as the cash balances exceed the bank loan balance.

Market risk exposures are measured using sensitivity analysis. There has been no change to the group's exposure to market risks or the manner in which it manages and measures the risk.

h) Foreign currency risk management

The group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise both in terms of transactional risk as well as translational risk. The group is naturally hedged, as noted above, which addresses the transactional risk. Translational risk is minimal and is not hedged by the group as the majority of the group's assets and liabilities are denominated in dollars which is also the group's presentational currency. The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Euro	(542)	(855)	76,133	60,582
US Dollar	(162,462)	(208,747)	444,230	339,408
Pounds Sterling	(687,348)	(2,766)	867,920	82,310
Other	(34)	(85)	32,822	24,308

i) Foreign currency sensitivity analysis

The group is mainly exposed to movements in pound sterling, US dollar and Euro.

The following table details the group's sensitivity to a 10% increase and decrease in the functional currency of the entity concerned against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

The sensitivity analysis includes external loans as well as loans to foreign operations within the group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the Sterling strengthens 10% against the relevant currency. For a 10% weakening of the functional currency against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Euro Currency Impact		US Dollar Currency Impact	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Profit or loss				
- cash and cash equivalents	2,527	3,072	4,719	4,574
- amounts due from customers	3,634	2,348	662	381
- trade payables	26	23	89	87

The movements above arise where entities within the group have financial assets or liabilities in currencies other than the respective functional currencies. There has not been any significant change in the group's sensitivity to foreign currency during the year.

j) Interest rate risk management

The group is exposed to interest rate risk as it has a floating interest rate bank loan and receives interest on its cash and cash equivalent balances. The risk is managed by the group by maintaining sufficient cash balances to offset any exposure on the bank loan. The group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

31. Financial Instruments (continued)

k) Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the group's:

- profit for the year ended 31 December 2010 would decrease/increase by $0.8 million (2009: decrease/increase by $0.8 million). This is mainly attributable to the group's exposure to interest rates on its variable rate borrowings; and
- other equity reserves would be unaffected by the change in either year.

l) Other price risks

The group is exposed to equity price risks arising from equity investments. The shares included above represent investments in listed equity securities that present the group with opportunity for return through dividend income and trading gains. Equity investments designated as available for sale are held for strategic rather than trading purposes. The group does not actively trade these investments.

m) Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. If equity prices had been 25% higher/lower, other equity reserves would increase/decrease by $14.9 million (2009: $3.0 million) for the group as a result of the changes in fair value of available-for-sale shares. The increase compared to the prior year relates to a higher current share price combined with additional investment during the year.

The group's investment in blinkx is a strategic long term investment following the demerger and is expected to be held for the foreseeable future. Due to the early stages of this entity it is likely that there will be volatility in the share price and hence the value of this investment may vary significantly from period to period.

n) Credit risk management

The group is principally exposed to credit risk over its trade receivables and liquid funds. Details regarding the management of this risk are provided in note 17.

The group's investments in equity are in technology companies where management do not anticipate to receive dividends. No significant credit risk has been identified in relation to these investments.

The group does not invest funds in deposits with maturities exceeding three months and thus there is no significant price risk on cash or cash equivalents. The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit rating agencies. The group further mitigates credit risk on liquid funds by spreading its liquid funds amongst a number of banks rather than relying on a single bank.

o) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The company currently has sufficient cash reserves to repay all of its outstanding obligations when they fall due.

p) Liquidity and interest risk tables

The following tables detail the group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The table includes both interest and principal cash flows.

Notes to the Consolidated Financial Statements

31. Financial Instruments (continued)

	Weighted Average Interest Rate	Less Than 3 Months	3 Months to 1 Year	1 to 5 Years	5+ Years	Total
	%	$'000	$'000	$'000	$'000	$'000
2010						
Non interest bearing						
- Trade payables	—	23,443	—	—	—	23,443
- Operating leases	—	3,146	8,803	29,447	12,632	54,028
Variable interest rate instruments						
- Bank loan	2.60%	80,480	1,266	66,964	—	148,710
Fixed interest rate instruments						
- Convertible loan notes	3.25%	12,492	12,492	856,200	—	881,184
		119,561	22,561	952,611	12,632	1,107,365
2009						
Non interest bearing						
- Trade payables	—	14,926	—	—	—	14,926
- Operating leases	—	4,050	12,061	32,915	6,198	55,224
Variable interest rate instruments						
- Bank loan	2.81%	55,143	2,713	148,659	—	206,515
		74,119	14,774	181,574	6,198	276,665

q) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of non-derivative financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. Financial assets in this category include the quoted shares held in blinkx Plc.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair value of unquoted shares is determined by management by considering the underlying profitability and net assets of those investments.
- The carrying amounts of financial assets and financial liabilities recorded at amortized cost in the financial statements approximate their fair values.

r) Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
2010				
Available for sale financial assets				
- Investments in shares	59,480	—	4,377	63,857
2009				
Available for sale financial assets				
- Investments in shares	11,840	—	385	12,225

s) Significant assumptions used in determining fair value of financial assets and liabilities

The fair value of the liability component of convertible loan notes is determined assuming redemption on 4 March 2015 and using a 6% interest rate based on market rates for similar term instruments without the convert element.

32. Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is set forth on page 86. A complete list of all companies within the group is included on the company's website.

33. Post-Balance Sheet Events

None.

Company Only Financial Statements

Company Balance Sheet at 31 December 2010

	Note	2010 £'000	2009 £'000
Non-current assets			
Intangible assets	2	79	47
Investments in subsidiary undertakings	3	634,596	634,596
Investment in associate	4	7,083	5,514
Equity and other investments	5	38,465	7,453
		680,223	647,610
Current assets			
Trade and other receivables	6	39,996	4,758
Cash and cash equivalents		512,947	49,510
		552,943	54,268
Total assets		1,233,166	701,878
Current liabilities			
Trade and other payables	7	(1,534)	(2,442)
Net current assets		551,409	51,826
Non-current liabilities			
Convertible loan notes	8	(440,690)	–
Total non-current liabilities		(440,690)	–
Total liabilities		(442,224)	(2,442)
Net assets		790,942	699,436
Shareholders' equity			
Share capital		809	803
Share premium account		743,338	668,057
Capital redemption reserve		70	70
Own shares		(500)	(537)
Merger reserve		13,207	13,207
Revaluation reserve		30,415	2,080
Retained earnings		3,603	15,756
Total equity		790,942	699,436

The financial statements of Autonomy Corporation plc, registered number 03175909, were approved by the Board of Directors and authorised for issue on 22 February 2011. They were signed on its behalf by:

Dr. Michael R. Lynch
Chief Executive Officer and Co-Founder

Company Only Financial Statements

Company Statement of Changes in Equity for the year ended 31 December 2010

	Share Capital (number)	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Sub-Total £'000
At 1 January 2009	215,817,197	720	436,491	70	437,281
Net profit	–	–	–	–	–
Other comprehensive income	–	–	–	–	–
Share placing	21,560,620	72	215,900	–	215,972
Shares options exercised	3,196,487	11	15,666	–	15,677
EBT options exercised	–	–	–	–	–
At 31 December 2009	240,574,304	803	668,057	70	668,930
Net profit	–	–	–	–	–
Other comprehensive income	–	–	–	–	–
Shares options exercised	1,988,280	6	12,579	–	12,585
EBT options exercised	–	–	–	–	–
Equity element of convertible loan notes	–	–	62,702	–	62,702
At 31 December 2010	242,562,584	809	743,338	70	744,217

	Sub-Total Forwarded £'000	Own Shares £'000	Merger Reserve £'000	Revaluation Reserve £'000	Retained Earnings £'000	Total £'000
At 1 January 2009	437,281	(575)	13,207	985	12,776	463,674
Net profit	–	–	–	–	2,980	2,980
Other comprehensive income	–	–	–	1,095	–	1,095
Share placing	215,972	–	–	–	–	215,972
Shares options exercised	15,677	–	–	–	–	15,677
EBT options exercised	–	38	–	–	–	38
At 31 December 2009	668,930	(537)	13,207	2,080	15,756	699,436
Net loss	–	–	–	–	(12,153)	(12,153)
Other comprehensive income	–	–	–	28,335	–	28,335
Shares options exercised	12,585	–	–	–	–	12,585
EBT options exercised	–	37	–	–	–	37
Equity element of convertible loan notes	62,702	–	–	–	–	62,702
At 31 December 2010	744,217	(500)	13,207	30,415	3,603	790,942

Company Statement of Comprehensive Income for the year ended 31 December 2010

	2010 £'000	2009 £'000
Net (loss) profit	(12,153)	2,980
Revaluation of equity investment, being total other comprehensive income	28,335	1,095
Total comprehensive income	16,182	4,075

Company Cash Flow Statement for the year ended 31 December 2010

	2010 £'000	2009 £'000
Net cash (used in) from operating activities	(31,167)	10,307
Investing activities		
Interest received	4,518	45
Purchases of intangible assets	(50)	(47)
Investment in associate and equity investments	(2,677)	(4,105)
Investment in subsidiaries	—	(215,839)
Net cash from (used in) investing activities	1,791	(219,946)
Financing activities		
Proceeds from issuance of shares, net of issuance costs	12,585	40,005
Proceeds from share placing, net of issuance costs	—	215,972
Proceeds from convertible loan notes, net of issuance costs	488,303	—
Interest on convertible loan notes	(8,075)	—
Other interest	—	(11)
Net cash from financing activities	492,813	255,966
Net increase in cash and cash equivalents	463,437	46,327
Cash and cash equivalents at beginning of year	49,510	3,183
Cash and cash equivalents at end of year	512,947	49,510

Cash and cash equivalents represent cash and short-term deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Note to the Cash Flow Statement

	2010 £'000	2009 £'000
Profit from operations	1,316	3,789
Adjustments for:		
Amortization of intangible assets	18	—
Operating cash flows before movements in working capital	1,334	3,789
(Increase) decrease in intercompany balances	(31,473)	5,139
(Increase) decrease in receivables	(836)	780
(Decrease) increase in payables	(274)	747
Cash (reduced) generated by operations	(31,249)	10,455
Tax received (paid)	82	(148)
Net cash (used in) from operating activities	(31,167)	10,307

Notes to the Company Only Financial Statements

1. Significant Accounting Policies

As permitted by section 408 of the Companies Act 2006, the income statement of the company only is not presented as part of this annual report. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards. The company has no employees other than the four non-executive directors (2009: four). Their remuneration is shown in the group's remuneration report.

The financial statements of the company have been prepared on the historical cost basis, except for the revaluation of equity investments. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

These company financial statements are presented in sterling as that is the currency of the primary economic environment in which the company operates.

2. Intangible Assets

	Software Licenses	Patents	Total
	£'000	£'000	£'000
Cost			
At 1 January 2009	3,147	104	3,251
Additions	–	47	47
At 1 January 2010	3,147	151	3,298
Additions	–	50	50
At 31 December 2010	3,147	201	3,348
Amortization			
At 1 January 2009 and 2010	3,147	104	3,251
Charge for the year	–	18	18
At 31 December 2010	3,147	122	3,269
Carrying amount			
At 31 December 2010	–	79	79
At 31 December 2009	–	47	47

At 31 December 2010 the group had no contractual commitments for the acquisition of intangible assets (2009: £nil).

3. Investments in Subsidiary Undertakings

The company has investments in the subsidiaries listed on page 86 which principally affected the profits or net assets of the group.

	2010	2009
Cost	£'000	£'000
At beginning of year	634,596	418,756
Additions	–	215,840
At end of year	634,596	634,596

The addition in 2009 relates to the Interwoven acquisition.

4. Investment in Associate

	2010	2009
Cost	£'000	£'000
At beginning of year	5,514	4,107
Additional investment during the year	1,569	1,407
At end of year	7,083	5,514

The above relates to the company's investment in its Chinese associate's operations.

Notes to the Company Only Financial Statements

5. Equity and Other Investments

	2010 £'000	2009 £'000
Available for sale investment carried at fair value	38,465	7,453

The investment above represents the company's 14% interest in blinkx Plc following the demerger in May 2007. See note 16b of the group accounts for additional information.

6. Trade and Other Receivables

	2010 £'000	2009 £'000
Amounts owed by subsidiary undertakings	34,461	4,521
Tax receivable	4,011	–
Other receivables	1,524	237
	39,996	4,758

Amounts owed by subsidiary undertakings
At the balance sheet date amounts receivable from the fellow group companies were £34.5 million (2009: £4.5 million). The carrying amount of these assets approximates their fair value. There are no past due or impaired receivable balances (2009: £nil).

7. Trade and Other Payables

	2010 £'000	2009 £'000
Trade payables	634	959
Other payables	900	850
Tax liabilities	–	633
	1,534	2,442

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

8. Convertible Loan Notes

On 4 March 2010 the company raised £496,900,000 through the issuance of convertible loan notes. The convertible loan notes were issued at an issue price of £50,000 per loan note and are convertible into ordinary shares of the company based on a share price of £20.6334, which is a 25% premium to the share price of the ordinary shares at the date the convertible loan notes were issued.

The loan notes carry an interest rate of 3.25% to be settled in cash semi-annually. The loan notes are payable in full on 4 March 2015 if not redeemed, converted or cancelled before that date.

The net proceeds received from the issue of the convertible loan notes have been split between the financial liability element and an equity component, representing the fair value of the embedded option to convert the financial liability into equity of the company as follows:

	£'000
Net proceeds on issue of convertible loan notes	
Net proceeds	488,303
Equity component	62,702
Liability component at date of issue	425,601
Interest charged	23,164
Interest paid	(8,075)
Liability component at 31 December 2010	440,690

The equity component of £63 million has been credited to the share premium account.

Notes to the Company Only Financial Statements

9. Related Party Transactions

All transactions are conducted on an arm's length basis and the amount owed by subsidiary undertakings is disclosed in note 6.

10. Financial Instruments

The policies of the group are discussed in note 31 to the consolidated financial statements. The tables below provide the financial instruments disclosures for the company.

a) Classes of financial instruments

For the purposes of risk management, the company has identified the following classes of financial assets and liabilities:

		Carrying Value	
		2010	2009
	Note	£'000	£'000
Financial assets			
Cash and cash equivalents		512,947	49,510
Investments in shares	5	38,465	7,453
Amounts owed by subsidiary undertakings	6	34,461	4,521
Financial liabilities			
Convertible loan notes	8	(440,690)	–
Trade payables	7	(634)	(959)

There is no difference between the carrying value and fair value of the above financial assets and liabilities in either year.

b) Foreign currency risk management

The carrying amounts of the company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
US Dollar	(162)	(14)	24,252	20,954
Euro	(4)	(6)	206	7,199
Pounds Sterling	(468)	(939)	561,415	33,331

c) Foreign currency sensitivity analysis

The company is mainly exposed to movements in US dollar.

The following table details the company's sensitivity to a 10% increase and decrease in the functional currency of the entity concerned against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the Sterling strengthens 10% against the relevant currency. For a 10% weakening of the functional currency against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	US Dollar Currency Impact	
	2010	2009
	£'000	£'000
Profit or loss		
- cash and cash equivalents	2,425	2,095
- trade payables	2	31

The movements above arise where the company has financial assets or liabilities in currencies other than Sterling. There has not been any significant change in the company's sensitivity to foreign currency during the year.

Notes to the Company Only Financial Statements

10. Financial Instruments (continued)

d) Other price risks

The company is exposed to equity price risks arising from equity investments. The shares included above represent investments in listed equity securities that present the company with opportunity for return through dividend income and trading gains. Equity investments designated as available for sale are held for strategic rather than trading purposes. The company does not actively trade these investments.

e) Equity price sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date. If equity prices had been 25% higher/lower other equity reserves would increase/decrease by £9.6 million (2009: £1.9 million) for the company as a result of the changes in fair value of available-for-sale shares.

The company's investment in blinkx is a strategic long term investment following the demerger and is expected to be held for the foreseeable future. Due to the early stages of this entity it is likely that there will be volatility in the share price and hence the value of this investment may vary significantly from period to period.

f) Liquidity and interest risk tables

The following tables detail the company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay. The table includes both interest and principal cash flows.

	Weighted Average Interest Rate	Less Than 3 Months	3 Months to 1 year	1 to 5 years	Total
	%	£'000	£'000	£'000	£'000
2010					
Non interest bearing					
- Trade payables	–	634	–	–	634
Fixed interest rate instruments					
- Convertible loan notes	3.25%	8,075	8,075	553,422	569,572
		8,709	8,075	553,422	570,206
2009					
Non interest bearing					
- Trade payables	–	959	–	–	959

g) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows.

The fair value of non-derivative financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. Financial assets in this category include the quoted shares held in blinkx Plc.

The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The carrying amounts of financial assets and financial liabilities recorded at amortized cost in the financial statements approximate their fair values.

10. Financial Instruments (continued)

h) Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (i.e derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
2010				
Available for sale financial assets				
- Investments in shares	38,465	–	–	38,465
2009				
Available for sale financial assets				
- Investments in shares	7,453	–	–	7,453

The fair value of the liability component of convertible loan notes is determined assuming redemption on 4 March 2015 and using a 6% interest rate based on market rates for similar term instruments without the convert element.

Additional Information

Principal Group Companies

The principal companies within the group's operations are set forth below. A list of all companies within the group can be found on our website at www.autonomy.com under the heading "About Autonomy".

Company	Country of Operation	Function
Autonomy Corporation plc	England	Holding company
Autonomy, Inc.	USA	Software development and distribution
Autonomy Systems Ltd	England	Software development and distribution
etalk Corporation	USA	Software development and distribution
Interwoven, Inc.	USA	Software development and distribution
Meridio Holdings Limited	Northern Ireland	Software development and distribution
Virage, Inc.	USA	Software development and distribution
ZANTAZ, Inc.	USA	Software development and distribution

Operating subsidiaries of the above companies have been excluded to the extent such subsidiaries' operations are consolidated in the interim operating companies operations and results. These include operating subsidiaries, providing marketing sales and support to the group, in the following countries: Australia; Belgium; Canada; China; France; Germany; Hong Kong; India; Italy; Japan; Korea; Luxembourg; Mexico; Netherlands; Norway; Singapore; South Africa; Spain; Sweden; and the UK. All of the above entities are 100% owned.

Joint Ventures and Associates

Company	Country of Incorporation	Holding
OpenV China Holdings Company	Cayman Islands	35%

Registrars and Transfer Office

If shareholders have any inquiries about their holding of ordinary shares, such as a change of address, change of ownership or lost share certificates, they should contact the company's registrars at the address or telephone number below. Computershare Investor Services PLC maintain the Autonomy Corporation plc share register and holders of ordinary shares may view and update details of their shareholding via the registrars' investor centre at www.computershare.com/uk/investorcentre.

Computershare Investor Services PLC
PO Box 82, The Pavilions
Bridgwater Road, Bristol BS99 7NH, UK
Telephone: +44 870 702 0000
email: web.queries@computershare.co.uk

Stock Exchanges

Autonomy's ordinary shares are listed on the London Stock Exchange under the symbol "AU.". Autonomy does not maintain listings on any other stock exchanges.

Shareholder Communications

The company provides a number of shareholder services online at http://www.autonomy.com/content/Investors, where shareholders may:

- register to receive electronic shareholder communications;
- listen to live and recorded webcasts of investor conference calls;
- view and/or download annual reports and interim financial reports; and
- check the current share price.

Shareholders and other interested parties can also receive company press releases, including London Stock Exchange announcements, by registering for Autonomy news via the company's website at www.autonomy.com. Registering for Autonomy news will enable users to have news automatically e-mailed to them.

Topics featured in this Annual Report can be found via the Autonomy home page on the Internet (http://www.autonomy.com). Financial results, news on Autonomy products, services and other activities can also be found via that address. Autonomy's Investor Relations Department can be reached on +44 1223 448 000 or at investor_relations@autonomy.com.

Additional Information

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Additional Information

This document contains "forward-looking statements" within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to the group's financial condition, results of operations and businesses and certain of the group's plans and objectives.

In particular, such forward-looking statements include statements with respect to:

- the group's expectations regarding its financial and operating performance, including statements contained within the Chairman's Statement and the Chief Executive's review;
- intentions and expectations regarding the development of products, services and initiatives;
- expectations regarding the global economy and the group's operating environment, including future market conditions and trends;
- possible future acquisitions, including the timely completion of acquisition transactions; and
- expectations regarding the group's future operating results.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "anticipates", "aims", "could", "may", "should", "expects", "believes", "intends", "plans" or "targets". By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following:

- general economic and political conditions in the jurisdictions in which the group operates and changes to the associated legal, regulatory and tax environments;
- increased competition, from both existing competitors and new market entrants;
- levels of research and development investment and the group's ability to deploy new technologies, products and services in a timely manner;
- rapid changes to existing products and the inability of new products to perform in accordance with expectations;
- the ability of the group to integrate new technologies;
- the group's ability to generate and grow revenue;
- a lower than expected impact of new or existing products, services or technologies on the group's future revenue, cost structure and capital expenditure outlays;
- slower than expected customer growth, reduced customer retention, reductions or changes in customer spending and increased pricing pressure;
- the group's ability to realise expected benefits from acquisitions, partnerships or other arrangements with third parties;
- acquisitions and divestments of group businesses and assets and the pursuit of new, unexpected strategic opportunities which may have a negative impact on the group's financial condition and results of operations;
- the group's ability to integrate acquired business or assets and the imposition of any unfavourable conditions, regulatory or otherwise, on any pending or future acquisitions or dispositions;
- the extent of any future write-downs or impairment charges on the group's assets, or restructuring charges incurred as a result of an acquisition or disposition;
- changes in exchange rates, including particularly the exchange rate of pounds sterling to the euro and the US dollar;
- changes in the regulatory framework in which the group operates;
- the impact of legal or other proceedings; and
- changes in statutory tax rates and profit mix, the group's ability to resolve tax issues which may arise and the timing and amount of any payments in respect of tax liabilities.

All subsequent written or oral forward-looking statements attributable to the company or any member of the group or any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable law and regulations, Autonomy does not intend to update these forward-looking statements and does not undertake any obligation to do so.

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